

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **City of Monroe, Michigan**

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## **Comprehensive Annual Financial Report with Supplemental Information for the Year Ended June 30, 2006**

### **Mayor**

**C.D. "Al" Cappuccilli**

### **City Manager**

**George A. Brown**

### **City Council**

**Bill Burkett**

**Edward F. Paisley**

**Dorothy L. Edwards**

**John R. Martin**

**Linda J. Compore**

**Brian P. Beneteau**

### **Prepared by:**

**Finance Director**

**Edward J. Sell Jr.**

# City of Monroe, Michigan

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## **Introductory Section**

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## CITY OF MONROE

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November 20, 2006

Honorable Mayor, Members of the City  
Council and Citizens of the City of Monroe:

We are pleased to submit the City of Monroe Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This report was prepared by the City Finance Department. The financial statements are the representations of the management of the City. Responsibility for both the accuracy of the prepared data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, and component units of the City. All necessary disclosures are included in the document to enable the reader to gain an understanding of the City's financial activities.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The cost of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

State of Michigan statutes and City Charter require an independent audit of the City's financial transactions and records. The City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including schedules, the independent auditors' reports on internal control structure, compliance with applicable laws and regulations and official information are included in the single audit section. Plante & Moran, PLLC, whose opinion and reports are included, has performed this audit for Fiscal Year 2006.

Included in the financial section of the CAFR is a Management Discussion and Analysis (MD&A) letter. The letter provides additional information and analysis from City management regarding the financial results. It is supplementary information to the financial statements that is intended to provide the financial statement reader



with additional insight into the City's financial operations. It also provides the reader with additional information as to the layout and contents of the CAFR.

### **City Government Profile**

The last page of the introductory section of the CAFR provides basic information regarding the City of Monroe, the governmental structure, and demographic information. An organizational chart is also included in the introductory section.

This report includes all the funds of the City as legally defined, as well as its component units. Component units are legally separate entities for which the City is financially accountable. These agencies are the Monroe Downtown Development Authority, the Monroe Brownfield Redevelopment Authority, the Monroe Building Authority and the Port of Monroe.

Michigan law requires that the City adopt budgets for the General Fund and all Special Revenue Funds. The City goes beyond this requirement and adopts budgets for all city funds, except for agency type funds. The process for adopting the budget includes adoption of a Capital Improvement Program budget by the end of February each year, submittal of a budget recommendation by the City Manager to the City Council by April 1 of each year, and final adoption of the budget by the City Council by April 30 of each year. Each of these dates is required to be met as set forth in the City Charter. Expenditures are controlled at the department level (General Fund) or fund level (all other funds). Although encumbrances are reservations of the expenditure budget and not expenditures, they are used as an extension of formal budgetary control. The City Charter also states that "Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned."

### **Economic Condition and Outlook**

Monroe is a major employment center with companies such as Detroit Edison, Automotive Components Holdings, and MAC Steel maintaining facilities here. Monroe is also home to La-Z-Boy, Inc., World Headquarters. The average annual unemployment rate for the area has averaged 4.9% over the last ten years. The unemployment rate for calendar year 2005 was 6.0%. The current state of decline in the auto industry and requests for taxable value decreases from Detroit Edison are significant factors relating to the City's future financial position.

Building permits for new construction and alterations were valued at approximately \$9.3 million. This represents a decrease of 60 percent over the five-year average of \$24.8 million, excluding fiscal 2002 which was an exceptional year generating permits valued at \$417.3 million. A decrease was also seen in the number of permits, from 1,104 in 2005 to 850 in 2006, a 23% decrease. Prior to fiscal year 2005, building permits issued per year had averaged 1,489.

The primary long term financial plan adopted by the City is the annual Capital Improvements Program (CIP) budget. A reduced growth in taxable value due to current economic conditions and Proposal A will make it difficult to fund CIP projects

at the level they have been in the past. The City will be contracting a consultant for a management study to find efficiencies that can be achieved in City government to help provide for future financial flexibility to fund capital projects at an acceptable level.

Property taxes represent 70% of the General Fund revenues. Proposal "A", passed by voters in 1994, shifted school financing to the state sales tax, providing relief from property taxes. Relief is afforded through a homestead exemption from 18 mills of local school millage and a cap in assessment growth. Taxable values are capped at the lesser of 5% or general inflation by individual parcel, until a property is "transferred". Taxable valuation is distinguished from state equalized values formerly used as the base for property taxation. Tax base growth is mainly the result of new construction. For the 2005 tax year, covering fiscal 2005-6, the overall taxable value was approximately 144 million below state equalized value reducing potential tax revenue by \$2.2 million due to the cap.

State shared revenue accounts for approximately 12% of the City's General Fund revenue. This revenue was down 1.1 percent from the previous year due to slower than anticipated growth in the State's sales tax collections and the state's budget problems. Although state sales tax revenue is increasing, the state's 2006/2007 fiscal year budget contains a plan/provision to hold revenue sharing payments to cities at prior year levels. We continue to be conservative with budget estimates on the revenue side, and at the same time, be focused on controlling expenditure levels.

The City has adopted financial policies that guide the City in its financial management practices. The City takes these policies into account in preparation of the annual budget and in reviewing the budget status of each fund during the fiscal year.

A primary focus of management is constant improvement of customer service. Satisfaction of Monroe's citizens/customers continues to be the organization's driving force. All services provided are evaluated on the basis of benefits provided both to individual users and the Monroe community as a whole. This effort is reflected in both operations and in planning and budgeting, where performance measures have been implemented.

A major emphasis was placed on funding capital projects with the adoption of the 2005-2006 budget. The following projects were active in 2005-2006:

Local Streets:

- Rosewood Street Reconstruction
- Jerome Street Reconstruction
- N. Roessler Street Resurfacing
- Maple Boulevard Resurfacing
- Maywood Avenue Resurfacing

Major Streets:

- Winchester Street Bridge Surface Reconstruction
- Harrison Street Resurfacing
- West Elm Avenue Resurfacing

Water System:

- Renovation/Enlargement of the Meter Shop

Major planned projects for fiscal 2006-2007:

- City Hall Air Handling System and Roof Replacement
- City Hall Carpet Replacement
- West Eight Street/South Roessler Resurfacing
- North Custer Street Resurfacing
- Wood Street Reconstruction
- Crampton Drive Reconstruction
- Fire Pumper Truck Replacement
- South County Water Emergency Interconnection

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Lastly, we wish to recognize the professional contributions and extra efforts of the entire Finance Staff throughout the year, particularly during the preparation of this report. The City's financial system and internal control structure has involvement from many departments. We also wish to recognize those departments for their contributions to maintaining the system with a high level of accuracy throughout the fiscal year. We also wish to thank the Mayor and City Council Members for their continued interest and support of the City's goal of excellence in all respects of financial management.

Respectfully submitted,



George A. Brown  
City Manager



Edward J. Sell Jr.  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Monroe,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

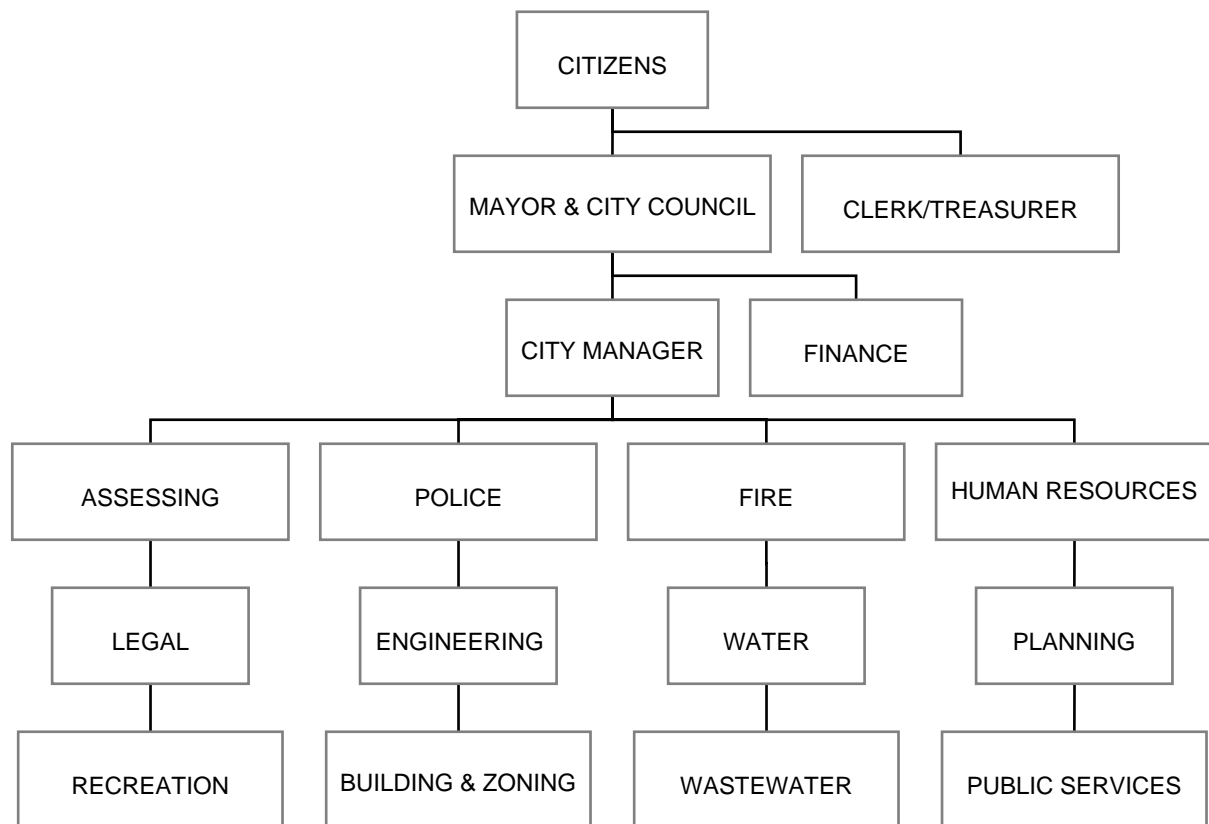
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## CITY OF MONROE ORGANIZATIONAL CHART



## **CITY OF MONROE, MICHIGAN**

### List of Principal Officials

<b>Title</b>	<b>Name</b>
Mayor	C.D. "Al" Cappuccilli
Council Members:	
First Precinct	Bill Burkett
Second Precinct	Edward F. Paisley
Third Precinct	Dorothy L. Edwards
Fourth Precinct	John R. Martin
Fifth Precinct	Linda J. Compura
Sixth Precinct	Brian P. Beneteau
City Clerk/Treasurer	Charles D. Evans
City Manager	George A. Brown
Police Chief	John B. Michrina
Fire Chief	William E. Bert
Finance Director	Edward J. Sell Jr.
Building Official	Joe Lehmann
Public Services Director	Scott H. Davidson
Director of Engineering and Planning	Patrick Lewis
Director of Utilities and Water	Barry LaRoy
Wastewater Director	Connie Ochs
Assessor	Samuel J. Guich
Human Resources Director	April McGrath
Corporation Counsel	Ready, Sullivan, Ready

## **Facts about Monroe**

The City of Monroe is located in Monroe County in the far southeast portion of Michigan's Lower Peninsula. Located approximately 35 miles south of Detroit, Michigan, 15 miles north of Toledo, Ohio, and 40 miles southeast of Ann Arbor, Michigan, Monroe is the county seat with a population of 22,076 according to the 2000 Census.

Monroe is Michigan's third oldest continuous settlement, founded in 1784. The City operates under a manager-council form of government. Its most recent charter was adopted December 8, 1913. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the mayor, city clerk/treasurer, and six councilpersons, representing six precincts, elected at large. All terms of office are two years. Department heads are appointed by and serve at the pleasure of the city manager with the exception of the finance director and assistant city attorney, who serve at the pleasure of the mayor and council. The city manager is responsible for administration of all departments and functions of City government not under the jurisdiction of any other elected official or the Civil Service Commission. The city clerk/treasurer is responsible for keeping the public records and for receipt, disbursement, and custody of public monies and other evidences of value held by or belonging to the City. The council is responsible for all legislative matters including adoption of the City budget.

## **Financial Section**

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## Independent Auditor's Report

To the City Council  
City of Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan (the "City") as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monroe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of \$4,335,142 at June 30, 2006 and total revenue of \$610,001 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors. The other auditors' report, dated July 25, 2006, disclaimed an opinion because of significant uncertainty related to environmental remediation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, except for the financial information related to the Port of Monroe (whose auditors disclaimed an opinion), the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the City Council  
City of Monroe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the General Fund budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The General Fund budgetary comparison schedules and the combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and the retirement system schedules of funding progress and employer contributions, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moreau, PLLC*

September 22, 2006

# **City of Monroe, Michigan**

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## **Management's Discussion and Analysis**

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

The shared sales tax portion of state-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$17,395 to \$2,139,543. The reduction was primarily due to sales tax collections by the State of Michigan being less than estimated in the state budget. This continued a trend in declines in state-shared revenue. State-shared revenue peaked in fiscal year 2001 at \$2,780,435. In response to this reduction over the years, the City has reduced expenditures by not filling selected vacant positions, closely monitoring overtime, and delaying capital equipment expenditures.

Fund balance for the General Fund decreased \$218,171 to \$2,989,051. Included in fund balance at fiscal year end were items encumbered but not yet purchased. Those items will be funded from fund balance in fiscal year 2007 and they amounted to \$73,143 at fiscal year end.

Expenditures related to capital projects totaled \$8.725 million.

Total net assets related to the City's governmental activities decreased by approximately \$2.5 million.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the citizens' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 30,320,811	\$ 31,187,191	\$ 12,108,154	\$ 12,666,816	\$ 42,428,965	\$ 43,854,007
Capital assets and investment in joint venture	76,018,482	76,836,556	48,271,317	45,608,014	124,289,799	122,444,570
Total assets	106,339,293	108,023,747	60,379,471	58,274,830	166,718,764	166,298,577
<b>Liabilities</b>						
Current liabilities	20,439,038	19,215,254	1,768,136	1,874,020	22,207,174	21,089,274
Long-term liabilities	7,513,101	7,925,164	2,940,000	900,000	10,453,101	8,825,164
Total liabilities	27,952,139	27,140,418	4,708,136	2,774,020	32,660,275	29,914,438
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	68,662,294	69,001,428	42,290,619	41,022,518	110,952,913	110,023,946
Restricted	1,620,483	2,488,896	-	-	1,620,483	2,488,896
Unrestricted	8,104,377	9,393,005	13,380,716	14,478,292	21,485,093	23,871,297
Total net assets	\$ 78,387,154	\$ 80,883,329	\$ 55,671,335	\$ 55,500,810	\$ 134,058,489	\$ 136,384,139

The City's combined net assets decreased by 1.6 percent from a year ago - decreasing from \$136.3 million to \$134.1 million. The decrease in net assets is due to expenditures increasing at a faster pace than revenues that are primarily flat and the use of unrestricted net assets to balance the budget in some cases. Net assets were also used in the amount of \$400,000 for economic development of the downtown area. The reduction is also due to a decrease in the value of capital assets. This means that the City did not reinvest in its capital assets at the same level as which they were depreciating in value.

As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$1,288,628 for governmental activities. This represents a decrease of approximately 14 percent. The current level of unrestricted net assets for governmental activities stands at \$8.1 million, or about 31 percent of expenditures.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Net Assets - Beginning of year</b>	\$ 80,883,329	\$ 83,445,018	\$ 55,500,810	\$ 54,733,548	\$ 136,384,139	\$ 138,178,566
<b>Revenue</b>						
Program revenue:						
Charges for services	4,056,058	3,221,111	10,334,930	10,358,338	14,390,988	13,579,449
Operating grants and contributions	2,088,844	1,987,274	-	-	2,088,844	1,987,274
Capital grants and contributions	3,188	3,918	627,125	523,215	630,313	527,133
General revenue:						
Property taxes	14,207,450	14,288,246	-	-	14,207,450	14,288,246
State-shared revenue	2,155,107	2,175,483	-	-	2,155,107	2,175,483
Unrestricted investment earnings	816,760	519,669	343,595	308,659	1,160,355	828,328
Franchise fees	224,351	213,223	-	-	224,351	213,223
Other revenue	180,123	591,769	18,861	5,896	198,984	597,665
Total revenue	23,731,881	23,000,693	11,324,511	11,196,108	35,056,392	34,196,801
<b>Program Expenses</b>						
General government	2,357,099	2,797,809	-	-	2,357,099	2,797,809
Public safety	10,459,761	9,955,878	-	-	10,459,761	9,955,878
Public works	11,135,310	10,419,518	-	-	11,135,310	10,419,518
Community development	913,348	559,559	-	-	913,348	559,559
Culture and recreation	1,246,452	1,535,537	-	-	1,246,452	1,535,537
Interest on long-term debt	268,285	335,422	-	-	268,285	335,422
Water and wastewater	-	-	11,001,787	10,387,505	11,001,787	10,387,505
Total program expenses	26,380,255	25,603,723	11,001,787	10,387,505	37,382,042	35,991,228
<b>Excess (Deficiency)</b>	(2,648,374)	(2,603,030)	322,724	808,603	(2,325,650)	(1,794,427)
<b>Transfers</b>	152,199	41,341	(152,199)	(41,341)	-	-
<b>Change in Net Assets</b>	(2,496,175)	(2,561,689)	170,525	767,262	(2,325,650)	(1,797,427)
<b>Net Assets - End of year</b>	<u>\$ 78,387,154</u>	<u>\$ 80,883,329</u>	<u>\$ 55,671,335</u>	<u>\$ 55,500,810</u>	<u>\$ 134,058,489</u>	<u>\$ 136,384,139</u>

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

Revenue for the City as a whole was up \$859,591 (2.5 percent). Percentage changes from the prior year in the individual revenue categories were as follows:

Revenue Category	Total		Change +/-	% Change
	2006	2005		
Charges for service	\$ 14,390,988	\$ 13,579,449	\$ 811,539	5.98%
Operating grants and contributions	2,088,844	1,987,274	101,570	5.11%
Capital grants and contributions	630,313	527,133	103,180	19.57%
Property taxes	14,207,450	14,288,246	(80,796)	-0.57%
State-shared revenue	2,155,107	2,175,483	(20,376)	-0.94%
Unrestricted investment earnings	1,160,355	828,328	332,027	40.08%
Franchise fees	224,351	213,223	11,128	5.22%
Other revenue	198,984	597,665	(398,681)	-66.71%
Total	<b>\$ 35,056,392</b>	<b>\$ 34,196,801</b>	<b>\$ 859,591</b>	2.51%

Program expenses for the City as a whole were up by \$1.39 million (3.9 percent). Program expenses increased in the areas of public safety (\$503,883/5.1 percent), public works (\$715,792/6.86 percent), community development (\$353,789/63.2 percent), and water and wastewater (\$614,282/5.9 percent). General government expenses decreased \$440,710 (15.8 percent) with the primary reason for the decrease being bond refunding costs in the prior fiscal year.

The City's total governmental revenues increased by \$731,188 (3.2 percent) and governmental program expenses increased by \$776,532 (3.0 percent). Both were considered to be in line with expectations.

Slower than predicted economic growth accounted for a reduction in state revenue sharing of \$20,376 (.9 percent). Due to a rising interest rate environment, investment income increased \$332,027 (40 percent).

### **Business-type Activities**

The City's business-type activities consist of the Water and Wastewater Funds. The City operates the LePage Raw Water Pump Station in partnership with Frenchtown Charter Township and sells water to surrounding communities. The City also provides wastewater treatment through a City-owned and operated sewage treatment plant. The City experienced an operating loss of approximately \$517,103 in the Water and Wastewater Funds. The loss was primarily due to a loss of industrial wastewater system users and increased costs related to new customer water installations.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The analysis of the City's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as street maintenance. The City's major funds for the year ended June 30, 2006 include the General Fund, the Wastewater Fund, and the Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$9.25 million. The costs of these departments are generally funded by property tax revenue sources of the General Fund. The activities of the Wastewater and Water Funds are disclosed under "business-type activities" above.

### General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall stayed below budget, resulting in total expenditures of \$313,061 below budget.

DEPARTMENT	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	DIFFERENCE
CITY COUNCIL	\$ 175,975	\$ 155,975	\$ 152,409	\$ 3,566
CITY MANAGER	390,284	415,888	414,987	901
CLERK-TREASURER	459,810	491,588	488,928	2,660
FINANCE	457,978	487,468	484,421	3,047
ASSESSOR	318,672	386,874	380,843	6,031
ATTORNEY	242,105	256,905	254,982	1,923
DATA PROCESSING	191,555	191,555	191,555	(0)
PERSONNEL	246,309	249,920	237,860	12,060
ENGINEERING	424,441	463,592	459,315	4,277
CITY HALL/GROUNDS	305,384	300,661	292,198	8,463
POLICE	4,965,520	5,082,905	4,936,549	146,356
FIRE	4,095,705	4,145,811	4,052,676	93,135
ZONING/ORDINANCE ENFORCEMENT	258,901	282,125	264,867	17,258
DEPARTMENT OF PUBLIC SERVICES	2,151,326	2,394,504	2,396,670	(2,166)
COMMUNITY DEVELOPMENT	322,505	323,533	315,809	7,724
HISTORIC DISTRICT COMMISSION	16,150	24,458	23,917	541
SOCIAL SERVICES	145,771	145,771	145,771	-
PUBLIC ACCESS TV	103,000	113,000	112,176	824
RECREATION	1,904,734	1,873,849	1,867,388	6,461
LIBRARY	61,200	61,200	61,200	-
CONTINGENCIES	405,000	-	-	-
TRANSFERS TO OTHER FUNDS	1,108,004	1,375,685	1,375,684	0
TOTAL	\$ 18,750,329	\$ 19,223,267	\$ 18,910,204	\$ 313,061

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

Revenue came in under budget by \$38,463. This decrease was primarily due to state-shared revenue and recreation charges for services being received in amounts less than what was budgeted. The amended budget estimated a reduction in fund balance to \$2,714,453. The actual fund balance was \$274,598 higher than what was estimated, or \$2,989,051.

The original budget of \$18,750,329 was increased to \$19,223,267 by fiscal year end. The increase was primarily due to the settlement of a bargaining agreement that had been open since 2004, items encumbered at the previous fiscal year end, and additional funding needs of the City's Local Street Fund.

### Capital Asset and Debt Administration

At the end of 2006, the City had net capital assets of \$120,461,986 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Debt related to those capital assets amounted to \$9,509,073, net of restricted assets consisting of cash from unspent bond proceeds of \$867,115. Capital projects completed or in progress during fiscal year 2006 include continuation of the sidewalk replacement program, repaving of portions of West Eight Street and North Custer Avenue, continued planning for the next phase of rail consolidation, replacement of a fire truck, planning for the River Raisin Battlefield, creation of a geographic information system, improvements at Munson Park, continued sanitary sewer rehabilitation, a facility master plan for the Wastewater Treatment Plant, replacement of various water mains, enclosure of the DPS maintenance building, and renovation of the Water Meter Shop, and many others.

The City issued Capital Improvement Bonds in the principal amount of \$2.385 million in September 2005. The bonds were issued for the purpose of improvements to both the existing Meter Shop Facility and the DPS Facility. The bonds will be paid off over a 20-year period at a true interest cost of 4.13 percent. The City is currently using 9.07 percent of its legal debt margin of \$109.8 million. Debt service makes up 1.97 percent of our total general governmental expenditures. Bonded debt and other long-term obligations were increased by \$1,640,182 primarily due to the bond issue previously explained.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 7, respectively, in the notes to the financial statements.

The unemployment rate in the Monroe County region has improved over the last fiscal year and compares favorably against the State of Michigan average, as can be seen in the following table:

	<u>County</u>	<u>Michigan</u>
6/30/2006	5.90%	6.50%
6/30/2005	5.90%	6.90%
6/30/2004	6.90%	7.30%



# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The potential sale or closure of an automotive industry supplier that is the City's largest employer will have a significant impact on the economy and finances of the City in the years to come.

The City's fiscal year 2006-2007 General Fund budget increased at approximately the rate of inflation compared to the 2005-2006 budget. The adopted revenue and expenditures for each fiscal year's budget are as follows:

<b><u>Originally Adopted General Fund</u></b>			
<b><u>Budget Totals</u></b>			
	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>	<b><u>Increase</u></b>
Revenue	\$ 19,387,262	\$ 18,754,704	3.37%
Expenditures	19,387,262	18,750,328	3.40%

The 2007 budget included a transfer from the City's Budget Stabilization Fund in the amount of \$340,287. Due to budget reductions since the beginning of the 2007 fiscal year, it does not look like the Budget Stabilization Funds will be used.

Due to the impact of Proposal A, however, the City needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Some properties increase in value by less than inflation, resulting in the total taxable value for the City growing by less than the rate of inflation, before considering new property additions. Taxable value increased only 2.1 percent for the 2007 fiscal year.

In addition to the revenue constraints, the City's pension contribution obligation will grow substantially in fiscal year 2008. The contribution required for fiscal year 2007 will be \$487,016. The contribution will increase to \$1,444,879 in fiscal year 2008. The contribution is all related primarily to the police and fire groups and it will have a substantial impact on the General Fund's budget.

The Mason Run development will continue to grow due to additional low-interest loans and grants received to continue the environmental remediation at the site. A grant will also fund environmental work and building demolitions at the former River Raisin Battlefield site.

With a rising interest rate environment, investment income has rebounded with average yields now exceeding 5 percent. The current yield curve would project a decrease in that average yield in the coming months. Continued softness in the Michigan economy will continue to put pressure on state revenue sharing.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the finance department.

# City of Monroe, Michigan

## Government-wide Statement of Net Assets June 30, 2006

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 10,032,868	\$ 612,338	\$ 10,645,206	\$ 209,427
Investments (Note 3)	14,042,449	6,216,219	20,258,668	892,000
Receivables - Net:				
Taxes	1,981,559	10,661	1,992,220	24,250
Customers	212,327	1,678,079	1,890,406	7,967
Special assessments	170,578	86,927	257,505	-
Accrued interest	133,319	44,684	178,003	6,231
Economic development loans	713,714	-	713,714	-
Other	218,163	17,176	235,339	5,336
Due from other governmental units	819,624	-	819,624	329,918
Due from component units	286,221	1,067,318	1,353,539	-
Internal balances (Note 6)	(934,851)	934,851	-	-
Inventories	2,239,502	572,637	2,812,139	-
Prepaid costs and other assets	405,338	149	405,487	28,347
Equity in joint ventures (Note 11)	-	3,827,813	3,827,813	-
Restricted cash - Unspent bond proceeds	-	867,115	867,115	-
Restricted assets	-	-	-	20,140
Nondepreciable capital assets (Note 5)	3,037,358	367,931	3,405,289	-
Depreciable capital assets - Net (Note 5)	72,981,124	44,075,573	117,056,697	3,736,320
<b>Total assets</b>	<b>106,339,293</b>	<b>60,379,471</b>	<b>166,718,764</b>	<b>5,259,936</b>
<b>Liabilities</b>				
Accounts payable	1,294,786	642,203	1,936,989	73,238
Accrued and other liabilities	2,646,791	462,259	3,109,050	300,289
Due to other governmental units	-	98,518	98,518	-
Due to primary government	-	-	-	1,353,539
Unearned revenue (Note 4)	15,880,295	485,156	16,365,451	461,493
Noncurrent liabilities (Note 7):				
Due within one year	462,350	80,000	542,350	20,000
Due in more than one year	6,893,838	2,940,000	9,833,838	225,062
Compensated absences:				
Due within one year	154,816	-	154,816	-
Due in more than one year	619,263	-	619,263	-
<b>Total liabilities</b>	<b>27,952,139</b>	<b>4,708,136</b>	<b>32,660,275</b>	<b>2,433,621</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	68,662,294	42,290,619	110,952,913	3,491,258
Restricted:				
Streets and highways	1,380,860	-	1,380,860	-
Rubbish and recycling	10,587	-	10,587	-
Building code activities	124,482	-	124,482	-
Grants	43,405	-	43,405	-
Drug forfeitures	61,149	-	61,149	-
Other	-	-	-	20,140
Unrestricted	8,104,377	13,380,716	21,485,093	(685,083)
<b>Total net assets</b>	<b>\$ 78,387,154</b>	<b>\$ 55,671,335</b>	<b>\$ 134,058,489</b>	<b>\$ 2,826,315</b>

# City of Monroe, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,357,099	\$ 116,994	\$ 55,387	\$ -
Public safety	10,459,761	1,280,660	19,186	-
Public works	11,135,310	1,169,010	2,013,171	3,188
Community development	913,348	367,937	1,100	-
Culture and recreation	1,246,452	1,121,457	-	-
Interest on long-term debt	268,285	-	-	-
Total governmental activities	26,380,255	4,056,058	2,088,844	3,188
Business-type activities:				
Water	5,213,975	4,877,286	-	627,125
Wastewater	5,787,812	5,457,644	-	-
Total business-type activities	11,001,787	10,334,930	-	627,125
Total primary government	<u>\$ 37,382,042</u>	<u>\$ 14,390,988</u>	<u>\$ 2,088,844</u>	<u>\$ 630,313</u>
Component units:				
Port of Monroe	\$ 493,679	\$ 123,810	\$ -	\$ 12,500
Downtown Development Authority	139,080	-	-	-
Brownfield Redevelopment Authority	705,643	-	142,288	-
Total component units	<u>\$ 1,338,402</u>	<u>\$ 123,810</u>	<u>\$ 142,288</u>	<u>\$ 12,500</u>
General revenues:				
Property taxes:				
Operating				
Refuse				
Unrestricted state-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Gain on sale of capital assets				
Other				
Unrestricted transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Government-wide Statement of Activities**  
**Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,184,718)	\$ -	\$ (2,184,718)	\$ -
(9,159,915)	-	(9,159,915)	-
(7,949,941)	-	(7,949,941)	-
(544,311)	-	(544,311)	-
(124,995)	-	(124,995)	-
(268,285)	-	(268,285)	-
(20,232,165)	-	(20,232,165)	-
-	290,436	290,436	-
-	(330,168)	(330,168)	-
-	(39,732)	(39,732)	-
(20,232,165)	(39,732)	(20,271,897)	-
-	-	-	(357,369)
-	-	-	(139,080)
-	-	-	(563,355)
-	-	-	(1,059,804)
13,180,971	-	13,180,971	1,426,979
1,026,479	-	1,026,479	-
2,155,107	-	2,155,107	-
816,760	343,595	1,160,355	48,466
224,351	-	224,351	-
351	12,365	12,716	-
179,772	6,496	186,268	-
152,199	(152,199)	-	-
17,735,990	210,257	17,946,247	1,475,445
(2,496,175)	170,525	(2,325,650)	415,641
80,883,329	55,500,810	136,384,139	2,410,674
<b>\$ 78,387,154</b>	<b>\$ 55,671,335</b>	<b>\$ 134,058,489</b>	<b>\$ 2,826,315</b>

# City of Monroe, Michigan

## Governmental Funds Balance Sheet June 30, 2006

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 7,598,195	\$ 1,650,391	\$ 9,248,586
Investments	6,201,352	5,797,993	11,999,345
Receivables:			
Taxes	1,816,695	164,864	1,981,559
Customers	210,805	1,522	212,327
Special assessments	-	170,578	170,578
Accrued interest	83,044	33,068	116,112
Economic development loans	-	713,714	713,714
Other	101,953	81,306	183,259
Prepaid expenditures and other assets	27,217	64,780	91,997
Due from other governmental units	24,490	385,431	409,921
Due from component units (Note 6)	4,739	281,482	286,221
Due from other funds (Note 6)	47,470	97,436	144,906
Real estate inventories	2,206,830	-	2,206,830
<b>Total assets</b>	<b>\$ 18,322,790</b>	<b>\$ 9,442,565</b>	<b>\$ 27,765,355</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 355,004	\$ 841,816	\$ 1,196,820
Accrued and other liabilities	320,452	10,692	331,144
Deferred revenue	13,840,581	2,609,293	16,449,874
Advances from other funds (Note 6)	815,358	-	815,358
Due to other funds (Note 6)	2,344	145,028	147,372
<b>Total liabilities</b>	<b>15,333,739</b>	<b>3,606,829</b>	<b>18,940,568</b>
<b>Fund Balances</b>			
Reserved - Prepaid expenditures	27,217	-	27,217
Unreserved, reported in:			
General Fund	2,961,834	-	2,961,834
Special Revenue Funds	-	4,121,530	4,121,530
Debt Service Funds	-	203,430	203,430
Capital Projects Fund	-	1,510,776	1,510,776
<b>Total fund balances</b>	<b>2,989,051</b>	<b>5,835,736</b>	<b>8,824,787</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,322,790</b>	<b>\$ 9,442,565</b>	<b>\$ 27,765,355</b>
<b>Fund Balance - Total Governmental Funds</b>			<b>\$ 8,824,787</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			76,018,482
Special assessment and property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures			569,577
State revenue-sharing payment received over 60 days after year end is not reported in the funds			409,703
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(8,130,267)
Accrued interest is not recorded in the funds			(56,438)
Portions of the Internal Service Funds are included as part of governmental activities net of capital and long-term debt			751,310
<b>Net assets of governmental activities</b>			<b>\$ 78,387,154</b>

# City of Monroe, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 13,146,844	\$ 1,026,479	\$ 14,173,323
Licenses and permits	269,085	397,311	666,396
Federal grants	46,569	1,114,465	1,161,034
State-shared revenues and grants	2,226,117	1,839,541	4,065,658
Charges for services	2,190,866	339,990	2,530,856
Fines and forfeitures	122,831	-	122,831
Interest	449,436	227,382	676,818
Special assessment	-	99,574	99,574
Rent	68,478	572,486	640,964
Other	21,809	391,039	412,848
Total revenue	18,542,035	6,008,267	24,550,302
<b>Expenditures</b>			
Current:			
General government	3,601,498	-	3,601,498
Public safety	9,254,092	261,620	9,515,712
Public works	2,396,670	7,272,702	9,669,372
Health and welfare	315,809	80,318	396,127
Recreation and culture	2,210,452	-	2,210,452
Capital outlay	-	697,254	697,254
Debt service	-	518,959	518,959
Other	-	14,856	14,856
Total expenditures	17,778,521	8,845,709	26,624,230
<b>Excess of Revenue Over (Under) Expenditures</b>	763,514	(2,837,442)	(2,073,928)
<b>Other Financing Sources (Uses)</b>			
Transfers in	150,000	2,356,811	2,506,811
Transfers out	(1,131,685)	(1,196,541)	(2,328,226)
Total other financing sources (uses)	(981,685)	1,160,270	178,585
<b>Net Change in Fund Balances</b>	(218,171)	(1,677,172)	(1,895,343)
<b>Fund Balances - Beginning of year</b>	3,207,222	7,512,908	10,720,130
<b>Fund Balances - End of year</b>	<u>\$ 2,989,051</u>	<u>\$ 5,835,736</u>	<u>\$ 8,824,787</u>

# City of Monroe, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,895,343)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(4,575,382)
Capital outlay expenditures	3,838,980

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(50,017)
--	----------

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds (GASB No. 33)	35,086
--	--------

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	445,570
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Interest is recorded as it accrues in the statement of activities	(14,303)
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Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	(61,762)
--	----------

Portions of the Internal Service Funds are also included as governmental activities	(219,004)
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**Change in Net Assets of Governmental Activities** \$ (2,496,175)

# City of Monroe, Michigan

## Proprietary Funds Statement of Fund Net Assets June 30, 2006

	Enterprise Funds					
	Major Funds		Building Authority -		Internal	
	Wastewater	Water	Nonmajor Fund	Totals	Service Funds	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 372,247	\$ 239,512	\$ 579	\$ 612,338	\$ 784,282	
Investments	2,836,185	2,860,034	520,000	6,216,219	2,043,104	
Receivables:						
Taxes	6,491	4,170	-	10,661	-	
Customers	962,155	715,924	-	1,678,079	-	
Special assessment	-	86,927	-	86,927	-	
Interest	22,242	18,692	3,750	44,684	17,207	
Other	-	17,176	-	17,176	34,904	
Due from other funds (Note 6)	-	-	-	-	109,231	
Advances to other funds (Note 6)	-	815,358	-	815,358	-	
Advances to component units (Note 6)	-	1,067,318	-	1,067,318	-	
Inventories	-	572,637	-	572,637	32,672	
Prepaid costs and other assets	-	149	-	149	313,341	
Restricted cash - Unspent bond proceeds	-	867,115	-	867,115	-	
Total current assets	4,199,320	7,265,012	524,329	11,988,661	3,334,741	
Noncurrent assets:						
Equity in joint ventures	-	3,827,813	-	3,827,813	-	
Capital assets (Note 5)	16,170,756	27,918,457	354,291	44,443,504	1,470,778	
Total noncurrent assets	16,170,756	31,746,270	354,291	48,271,317	1,470,778	
Total assets	20,370,076	39,011,282	878,620	60,259,978	4,805,519	
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	144,696	497,503	4	642,203	97,964	
Accrued and other liabilities	193,792	268,467	-	462,259	2,259,209	
Due to other funds	380	417	-	797	105,968	
Due to other governmental units	-	98,518	-	98,518	-	
Deferred revenue	-	-	485,156	485,156	-	
Current portion of long-term debt (Note 7)	-	80,000	-	80,000	35,608	
Total current liabilities	338,868	944,905	485,160	1,768,933	2,498,749	
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	-	2,940,000	-	2,940,000	72,666	
Total liabilities	338,868	3,884,905	485,160	4,708,933	2,571,415	
<b>Net Assets</b>						
Investment in capital assets - Net of related debt	16,170,756	25,765,572	354,291	42,290,619	1,362,504	
Unrestricted (Note 2)	3,860,452	9,360,805	39,169	13,260,426	871,600	
Total net assets	\$ 20,031,208	\$ 35,126,377	\$ 393,460	55,551,045	\$ 2,234,104	
A portion of the Internal Service Fund net assets has been attributed to business-type activities				120,290		
Net assets of business-type activities				\$ 55,671,335		



# City of Monroe, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2006

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
<b>Operating Revenue</b>					
Sale of water	\$ -	\$ 4,286,749	\$ -	\$ 4,286,749	\$ -
Sewage disposal charges	5,204,933	-	-	5,204,933	-
Charges to other funds	-	-	-	-	4,358,097
Other charges for services	265,076	598,920	-	863,996	72,214
Total operating revenue	5,470,009	4,885,669	-	10,355,678	4,430,311
<b>Operating Expenses</b>					
Operations and maintenance	1,613,093	1,608,249	-	3,221,342	340,247
Direct cost of providing service	2,751,677	2,245,978	-	4,997,655	720,913
Depreciation	998,096	861,351	-	1,859,447	202,803
Cost of health care and general liability claims	374,909	419,428	-	794,337	3,554,169
Total operating expenses	5,737,775	5,135,006	-	10,872,781	4,818,132
<b>Operating Loss</b>	(267,766)	(249,337)	-	(517,103)	(387,821)
<b>Nonoperating Revenue (Expenses)</b>					
Investment income	124,701	197,395	21,499	343,595	130,721
Interest expense	-	(42,455)	-	(42,455)	(8,711)
Net income from equity in joint ventures	-	5,456	-	5,456	-
Total nonoperating revenue	124,701	160,396	21,499	306,596	122,010
<b>Income (Loss) - Before capital contributions</b>	(143,065)	(88,941)	21,499	(210,507)	(265,811)
<b>Capital Contributions</b>	-	627,125	-	627,125	-
<b>Transfers to Other Funds</b>	(97,979)	(54,220)	-	(152,199)	(47,086)
<b>Change in Net Assets</b>	(241,044)	483,964	21,499	264,419	(312,897)
<b>Net Assets - Beginning of year</b>	20,272,252	34,642,413	371,961	55,286,626	2,547,001
<b>Net Assets - End of year</b>	<u>\$ 20,031,208</u>	<u>\$ 35,126,377</u>	<u>\$ 393,460</u>	<u>\$ 55,551,045</u>	<u>\$ 2,234,104</u>
<b>Change in Net Assets - Enterprise Funds</b>				\$ 264,419	
A portion of Internal Service Fund activity has been attributed to business-type activities				(93,894)	
<b>Change in Net Assets of Governmental Activities</b>				<u>\$ 170,525</u>	

# City of Monroe, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2006

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 5,132,522	\$ 6,008,536	\$ -	\$ 11,141,058	\$ 4,448,296
Payments to suppliers	(2,492,218)	(1,893,540)	4	(4,385,754)	(3,885,958)
Payments to employees for wages and benefits	(2,342,173)	(2,577,244)	-	(4,919,417)	(773,955)
Other receipts	265,076	598,920	-	863,996	72,214
Net cash provided by (used in) operating activities	563,207	2,136,672	4	2,699,883	(139,403)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of capital assets	(954,994)	(3,425,439)	-	(4,380,433)	(121,130)
Issuance of long-term debt	-	2,385,000	-	2,385,000	-
Capital contributions	-	627,125	-	627,125	-
Principal and interest paid on capital debt	-	(307,455)	-	(307,455)	(42,081)
Net cash used in capital and related financing activities	(954,994)	(720,769)	-	(1,675,763)	(163,211)
<b>Cash Flows from Investing Activities</b>					
Capital contribution to equity venture	-	(136,861)	-	(136,861)	-
Interest received on investments	120,037	189,324	17,937	327,298	122,827
Purchase of investment securities	-	(1,043,731)	(18,000)	(1,061,731)	(439,000)
Proceeds from sale and maturities of investment securities	382,882	-	-	382,882	310,630
Net cash provided by (used in) investing activities	502,919	(991,268)	(63)	(488,412)	(5,543)
<b>Cash Flows from Noncapital Financing Activities -</b>					
Transfers out	(97,979)	(54,220)	-	(152,199)	(47,086)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	13,153	370,415	(59)	383,509	(355,243)
<b>Cash and Cash Equivalents - Beginning of year</b>	359,094	736,212	638	1,095,944	1,139,525
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 372,247</u>	<u>\$ 1,106,627</u>	<u>\$ 579</u>	<u>\$ 1,479,453</u>	<u>\$ 784,282</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and equivalents	\$ 372,247	\$ 239,512	\$ 579	\$ 612,338	\$ 784,282
Restricted assets	-	867,115	-	867,115	-
Total cash and cash equivalents	<u>\$ 372,247</u>	<u>\$ 1,106,627</u>	<u>\$ 579</u>	<u>\$ 1,479,453</u>	<u>\$ 784,282</u>

# City of Monroe, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2006

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>					
Operating loss	\$ (267,766)	\$ (249,337)	\$ -	\$ (517,103)	\$ (387,821)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation and amortization	998,096	861,351	-	1,859,447	202,803
Receivables	(72,411)	734,159	-	661,748	9,005
Prepays	47,729	39,566	-	87,295	(107,030)
Due from other funds	-	1,000,000	-	1,000,000	81,194
Due from component units	-	(12,372)	-	(12,372)	-
Inventories	-	(194,045)	-	(194,045)	(3,272)
Accounts payable	(152,467)	62,021	4	(90,442)	26,666
Due to other funds	380	13,692	-	14,072	101
Accrued and other liabilities	9,646	(118,363)	-	(108,717)	38,951
Net cash provided by (used in) operating activities	<u>\$ 563,207</u>	<u>\$ 2,136,672</u>	<u>\$ 4</u>	<u>\$ 2,699,883</u>	<u>\$ (139,403)</u>

# City of Monroe, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2006

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust - Cemetery	Agency Funds
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 216,667	\$ 17,249	\$ 7,369,196
Investments:			
U.S. government securities	23,293,654	57,488	-
Stocks	58,552,413	26,442	-
Bonds	19,268,693	20,513	-
Mutual funds	22,420,313	164,450	-
Other investments	2,183,907	-	-
Securities lending short-term collateral	19,721,760	-	-
Receivables - Accrued interest	527,636	6,506	-
Other assets	89,423	-	2,102,040
Total assets	146,274,466	292,648	<u><u>\$ 9,471,236</u></u>
<b>Liabilities</b>			
Accounts payable	37,414	5,111	\$ 13,390
Accrued and other liabilities	10,000	-	6,854
Due to other governmental units	-	-	9,450,992
Amounts due to broker under securities lending agreement	19,721,760	-	-
Total liabilities	19,769,174	5,111	<u><u>\$ 9,471,236</u></u>
<b>Net Assets</b> - Held in trust for pension, other employee benefits, and cemetery purposes	<u><u>\$ 126,505,292</u></u>	<u><u>\$ 287,537</u></u>	

# City of Monroe, Michigan

## Fiduciary Funds Statement of Changes in Net Assets - Pension and Other Employee Benefit Trust Funds and Private Purpose Trust Fund Year Ended June 30, 2006

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 2,846,260	\$ 10,103
Net increase in fair value of investments	7,596,114	-
Less investment expenses	<u>(736,190)</u>	<u>-</u>
Net investment income	9,706,184	10,103
Securities lending income:		
Interest and fees	625,122	-
Less borrower rebates and bank fees	<u>(599,853)</u>	<u>-</u>
Net securities lending income	25,269	-
Contributions:		
Employer	2,747,229	-
Employee	629,818	-
Charges for services	<u>-</u>	<u>29,913</u>
Total contributions	3,377,047	29,913
Transfer in	<u>-</u>	<u>20,700</u>
Total additions	13,108,500	60,716
<b>Deductions</b>		
Benefit payments	6,864,465	-
Refunds of contributions	4,430	-
Administrative expenses	<u>19,098</u>	<u>48,281</u>
Total deductions	<u>6,887,993</u>	<u>48,281</u>
<b>Net Increase</b>	6,220,507	12,435
<b>Net Assets Held in Trust</b>		
Beginning of year	<u>120,284,785</u>	<u>275,102</u>
End of year	<u><b>\$ 126,505,292</b></u>	<u><b>\$ 287,537</b></u>

# City of Monroe, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2006

	Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 188,200	\$ -	\$ 21,227	\$ 209,427
Investments	-	306,000	586,000	892,000
Receivables:				
Taxes	24,250	-	-	24,250
Customers	7,967	-	-	7,967
Due from other governmental units	329,918	-	-	329,918
Accrued interest receivable	-	2,891	3,340	6,231
Prepaid expenses and other assets	28,347	5,336	-	33,683
Total current assets	578,682	314,227	610,567	1,503,476
<b>Long-term Assets</b>				
Capital assets	3,736,320	-	-	3,736,320
Restricted assets	20,140	-	-	20,140
Total long-term assets	3,756,460	-	-	3,756,460
Total assets	4,335,142	314,227	610,567	5,259,936
<b>Current Liabilities</b>				
Accounts payable	31,631	21,949	19,658	73,238
Accrued expenses	289	-	-	289
Due to primary government	-	4,739	-	4,739
Deferred revenue	461,493	-	-	461,493
Advance payable to primary government	-	-	1,348,800	1,348,800
Current portion of long-term debt	20,000	-	-	20,000
Total current liabilities	513,413	26,688	1,368,458	1,908,559
<b>Noncurrent Liabilities</b>				
Long-term debt - Net of current portion	60,000	-	-	60,000
Contract payable	165,062	-	-	165,062
Environmental liabilities	300,000	-	-	300,000
Total noncurrent liabilities	525,062	-	-	525,062
Total liabilities	1,038,475	26,688	1,368,458	2,433,621
<b>Net Assets (Deficit)</b>				
Investment in capital assets - Net of related debt	3,491,258	-	-	3,491,258
Restricted - Environmental trust	20,140	-	-	20,140
Unrestricted	(214,731)	287,539	(757,891)	(685,083)
Total net assets (deficit)	\$ 3,296,667	\$ 287,539	\$ (757,891)	\$ 2,826,315

The Notes to Financial Statements are an  
Integral Part of this Statement.

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The Notes to Financial Statements are an Integral Part of this Statement. 23

**Component Units  
Statement of Activities  
Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ -	\$ (139,080)	\$ -	\$ (139,080)
-	-	(563,355)	(563,355)
-	(139,080)	(563,355)	(702,435)
(357,369)	-	-	(357,369)
8,703	13,076	26,687	48,466
464,988	139,244	822,747	1,426,979
473,691	152,320	849,434	1,475,445
116,322	13,240	286,079	415,641
3,180,345	274,299	(1,043,970)	2,410,674
<b>\$ 3,296,667</b>	<b>\$ 287,539</b>	<b>\$ (757,891)</b>	<b>\$ 2,826,315</b>



## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Monroe, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Monroe, Michigan:

### **Reporting Entity**

The City of Monroe, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

### **Blended Component Units**

The City Building Authority is governed by a board that is appointed by the mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

### **Discretely Presented Component Units**

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body is selected by the mayor and subject to approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Downtown Development Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

- b. The Brownfield Redevelopment Authority is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget. The Brownfield Redevelopment Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.
- c. The Port of Monroe (the "Port") was established as a separate legal entity to operate port facilities within the boundaries of the City. The Port is governed by a Port Commission, which is appointed by the City Council. The Port Commission's annual budget is also approved by the City Council. The Port issues a separate financial statement that can be obtained at the administrative offices at 2929 E. Front Street, Monroe, MI 48161.

**Jointly Governed Organizations** - Jointly governed organizations are discussed in Note 11.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989.

#### **Fund Descriptions**

**General Fund** - The General Fund is the City's only major governmental fund and its primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

**Water Fund** - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because it does business with individuals and firms outside the local unit departments. The system includes customers in the surrounding townships. The transportation lines to service those customers were installed by the individual townships and remain property of those townships.

**Wastewater Fund** - The Wastewater Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, EPA grants for wastewater treatment plant expansion, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because business is done with individuals outside the local unit departments. The system includes customers in the surrounding townships. In order to fund the system, the surrounding townships contributed approximately 60 percent of the plant assets; accordingly, approximately 60 percent of the capacity rights are reserved for the township customers. In addition, the Monroe Metropolitan Water Pollution Control System Board of Control was established to approve the annual rates for wastewater customers.

Additionally, the City reports the following fund types:

**Internal Service Funds** - Internal Service Funds account for stores and equipment purchases, as well as technology purchases. In addition, the Internal Service Funds account for risk management related to health care, workers' compensation, and general liabilities.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the retirement system and the trust established to account for costs related to retiree health care.

**Private Purpose Trust Fund (Cemetery Fund)** - The Private Purpose Trust Fund (Cemetery Fund) accounts for the activities of the Woodland Cemetery. The cemetery is funded through contributions and fees.

**Agency Fund** - The Agency Fund accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of allowance for uncollectible amounts.

**Property Taxes** - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on the first Tuesday in May of the following year. These taxes are due without penalty during the period from the first Tuesday in May through June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2006. The 2005 taxable valuation of the City totaled \$928,145,700, on which ad valorem taxes levied consisted of 13.7156 mills for the City's operating purposes and 1.10 mills for refuse. The ad valorem taxes raised \$12,373,000 for operations and \$993,000 for refuse. These amounts are recognized in the General Fund and Rubbish, Garbage, and Recycling Fund, respectively, as tax revenue.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Real Estate Inventory** - Real estate inventory shown in the General Fund and governmental activities is held for resale and is valued at the lower of cost or market.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets purchased prior to the implementation of GASB No. 34 (July 1, 2002) are included in capital assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Water and sewer distribution systems	40 to 75 years
Buildings and improvements	40 to 50 years
Vehicles	3 to 5 years
Machinery and equipment	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for a portion of the unpaid accumulated sick leave since the City has a policy to pay one-half of an employee's unused sick leave when the employee retires. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations, except for items encumbered at fiscal year end and capital project budgets, lapse at fiscal year end.

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

The City adopts formal budgets on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, the Debt Service Funds, and the Capital Projects Fund, except that certain amounts have been budgeted as transfers versus general government expenditures in the General Fund. Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By February of each year, all department heads submit spending requests to the finance director so that a budget may be prepared.
2. Before April, the proposed budget is submitted to the City Council for review.
3. Public hearings are held and a final budget is adopted no later than May 1.
4. The City Council must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Council is the department level.

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except that operating transfers have been reflected as revenue and expenditures rather than as "other financing sources and uses" and that the Debt Service Fund budgets reimbursements from third parties as revenue other than as a reduction of expenditures. The budget is adopted on a departmental basis. Expenditures at this level in excess of budget appropriations are a violation of Michigan law.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Monroe incurred no significant expenditures that were in excess of the amounts budgeted.



### Note 2 - Stewardship, Compliance, and Accountability (Continued)

A comparison of actual results of operations to the budgets as adopted by the City Council is included in the required supplemental information for the General Fund (major fund) and in the other supplemental information for nonmajor funds.

**Fund Deficits** - For the year ended June 30, 2006, the Brownfield Redevelopment Authority Fund has a fund deficit on a modified accrual basis of \$476,409. This deficit will be eliminated over time as the property tax revenue captures increase when property cleanup is completed and property values increase.

**Net Assets of Internal Service Funds** - Certain net assets of Internal Service Funds have been designated by management for the following purposes:

Insurance	\$ 578,194
Employee benefits	88,099

It is management's intention to use the net assets to pay future claims and insurance premiums.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated eight banks for the deposit of its funds. The City's investment policy, adopted in accordance with state law, has authorized investment in bank accounts and CDs, as well as investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

### **Note 3 - Deposits and Investments (Continued)**

The City's Pension Trust Fund (the "Retirement System") is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. In addition, the City has adopted Public Act 149 of 1999 which created a trust which allows the Retiree Health Care Fund to also invest in assets in accordance with P.A. 314 of 1965.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2006, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2006 was 88 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2006, the Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the Retirement System as of June 30, 2006 were \$19,721,760 and \$19,243,713, respectively.

### Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$19,726,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The City has deposits of \$10,863,455 that are uninsured but collateralized with securities held by the pledging financial institution's agent but not in the depositor-government's name.

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond or note	\$ 27,699,965	119 months
Corporate bonds	17,106,878	62 months

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating Organization	Rating
Bank investment pool	\$ 5,363,014	Fitch	AAA/VI +
Bank investment pool	1,974,389	N/A	N/R
Money market fund	5,148	N/A	N/R
Mutual fund	2,563,951	N/A	N/R
Corporate bonds	13,306	Moody's	BA3
Corporate bonds	6,517	Moody's	BA1
Corporate bonds	2,618,138	S&P	A
Corporate bonds	2,126,380	S&P	A-
Corporate bonds	2,274,007	S&P	A+
Corporate bonds	638,987	S&P	AA
Corporate bonds	2,613,054	S&P	AA-
Corporate bonds	676,302	S&P	AA+
Corporate bonds	713,997	S&P	AAA
Corporate bonds	1,646,182	S&P	BBB +
Corporate bonds	29,002	S&P	BB+
Corporate bonds	2,759,365	S&P	BBB

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Revenue recognition is deferred in connection with resources that have been received but not yet earned, in both governmental funds and on the government-wide statements. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Economic development loans	\$ -	\$ 1,102,993
Property taxes for subsequent year's operations	-	14,777,302
Special assessments and delinquent property taxes	569,577	-
Total deferred revenue	<u>\$ 569,577</u>	<u>\$ 15,880,295</u>

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 3,037,358	\$ -	\$ -	\$ 3,037,358
Capital assets being depreciated:				
Roads and sidewalks	108,633,309	2,119,912	-	110,753,221
Buildings and improvements	13,031,543	357,309	-	13,388,852
Land improvements	1,626,662	785,494	-	2,412,156
Equipment	7,009,927	697,126	(165,625)	7,541,428
Subtotal	130,301,441	3,959,841	(165,625)	134,095,657
Accumulated depreciation:				
Roads and sidewalks	47,858,754	3,657,420	-	51,516,174
Buildings and improvements	4,110,099	289,078	-	4,399,177
Land improvements	453,451	95,402	-	548,853
Equipment	4,079,939	736,015	(165,625)	4,650,329
Subtotal	56,502,243	4,777,915	(165,625)	61,114,533
Net capital assets being depreciated	73,799,198	(818,074)	-	72,981,124
Net capital assets	\$ 76,836,556	\$ (818,074)	\$ -	\$ 76,018,482

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Land	\$ 367,931	\$ -	\$ -	\$ 367,931
Capital assets being depreciated:				
Water and sewer distribution systems	37,460,798	1,850,826	-	39,311,624
Land improvements	340,386	127,240	-	467,626
Buildings and improvements	20,519,785	2,006,239	-	22,526,024
Vehicles	1,174,654	78,472	-	1,253,126
Machinery and equipment	17,740,321	317,656	(68,489)	17,989,488
Subtotal	77,235,944	4,380,433	(68,489)	81,547,888
Accumulated depreciation:				
Water and sewer distribution systems	10,069,979	571,530	-	10,641,509
Land improvements	100,383	16,664	-	117,047
Buildings and improvements	11,280,870	401,004	-	11,681,874
Vehicles	632,711	168,206	-	800,917
Machinery and equipment	13,597,414	702,043	(68,489)	14,230,968
Subtotal	35,681,357	1,859,447	(68,489)	37,472,315
Net capital assets being depreciated	41,554,587	2,520,986	-	44,075,573
Net capital assets	\$ 41,922,518	\$ 2,520,986	\$ -	\$ 44,443,504

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 312,544
Public safety	372,842
Public works	3,683,269
Recreation and culture	206,457
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	202,803
Total governmental activities	<u>\$ 4,777,915</u>
<b>Business-type activities:</b>	
Water	\$ 861,351
Wastewater	998,096
Total business-type activities	<u>\$ 1,859,447</u>

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

**Construction Commitments** - The City has various active construction projects at year end. The City's construction projects include meter shop improvements and the 2006 Water Main program, as well as various other City projects specifically allocated toward various capital improvements within the City. At year end, the City's commitments with contractors are as follows:

	Total Commitment	Spent to Date	Remaining Commitment
Metershop improvements	\$ 2,121,414	\$ 1,482,922	\$ 638,492
2006 Water Main program	496,765	221,984	274,781
2006 Concrete Paving program	178,397	112,160	66,237
Total	<u>\$ 2,796,576</u>	<u>\$ 1,817,066</u>	<u>\$ 979,510</u>

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor funds:	
	Grants Fund	\$ 16,280
	Airport Fund	19,933
	Local Streets Fund	<u>11,257</u>
Total General Fund		47,470
Nonmajor fund - Local Street Fund	Nonmajor fund - Major Streets Fund	40,449
Nonmajor fund - Capital Projects Fund	Nonmajor fund - Grants Fund	<u>56,987</u>
Total nonmajor fund		97,436

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2006

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds (Continued)</b>		
Internal Service Fund - Insurance Fund	Internal Service Fund - Stores and Equipment Fund	\$ 105,867
Internal Service Fund - Employee Benefit Fund	General Fund	2,344
	Nonmajor governmental funds:	
	Parking Meter Fund	16
	Building Department Fund	77
	Airport Fund	29
	Business-type Funds:	
	Wastewater Fund	380
	Water Fund	417
	Internal Service Funds:	
	Information System Fund	46
	Stores and Equipment Fund	55
Total Internal Service Funds		<u>109,231</u>
Total Interfund Activity		<u>\$ 254,137</u>
<b>Advances Due to/from Other Funds</b>		
Water Fund	General Fund	<u>\$ 815,358</u>
<b>Advances Due to/from Primary Government and Component Units</b>		
Water Fund	Component unit - Brownfield Redevelopment Authority	<u>\$ 1,067,318</u>

Advances are being repaid with interest over a number of years.



# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2006

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers

Fund Transferred From	Fund Transferred To		Amount
General Fund	Nonmajor governmental funds	(1)	\$ 959,223
	Cemetery Trust Fund	(3)	20,700
	Internal Service Funds	(4)	<u>151,762</u>
	Total		1,131,685
Nonmajor governmental funds	Nonmajor governmental funds	(2)	1,189,346
	Internal Service Funds	(4)	<u>7,195</u>
	Total		1,196,541
Internal Service Funds	Nonmajor governmental funds	(3)	109,764
	Internal Service Funds	(4)	10,309
	General Fund	(3)	<u>150,000</u>
	Total		270,073
Wastewater Fund	Nonmajor governmental funds	(2)	66,753
	Internal Service Funds	(4)	<u>31,226</u>
	Total		97,979
Water Fund	Nonmajor governmental funds	(2)	31,725
	Internal Service Funds	(4)	<u>22,495</u>
	Total		<u>54,220</u>
	Total transfers		<u>\$ 2,750,498</u>

- (1) Transfer for capital improvements
- (2) Transfer for street expenditures
- (3) For administrative purposes
- (4) For employee benefits

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Original Amount	Interest Rate Ranges	Principal Maturity Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>									
General obligation bonds:									
City portion of Monroe County Municipal Building Authority									
Bonds - Jail Bond	\$ 401,082	4.85%-5.00%	\$38,616-\$39,588	2006	\$ 39,589	\$ -	\$ 39,589	\$ -	\$ -
MDEQ Site Revitalization Loan	\$ 1,000,000	2.25%	\$81,136-\$101,356	2015	898,645	-	81,137	817,508	82,962
Michigan Resource Recovery Project grant repayment	\$ 200,000	-%	\$20,000	2009	100,000	-	20,000	80,000	20,000
2005 Monroe Building Authority Refunding Bonds	\$ 5,400,000	2.5%-4.375%	\$40,000-\$445,000	2024	5,400,000	-	40,000	5,360,000	45,000
1997 Building Authority Bonds - Ice Arena	\$ 6,265,000	5.375%-5.40%	\$160,000-\$450,000	2023	740,000	-	170,000	570,000	180,000
Total bond obligations					7,178,234	-	350,726	6,827,508	327,962
Equipment lease obligations:									
Equipment lease obligations			\$94,844-\$111,149		515,250	-	94,844	420,406	98,780
Equipment lease obligations			\$28,371-\$37,022		141,644	-	33,370	108,274	35,608
Total equipment lease obligations					656,894	-	128,214	528,680	134,388
Total bond and equipment lease obligations					7,835,128	-	478,940	7,356,188	462,350
Compensated absences					712,317	971,904	910,142	774,079	154,816
Total governmental activities					\$ 8,547,445	\$ 971,904	\$ 1,389,082	\$ 8,130,267	\$ 617,166
<b>Business-type Activities</b>									
General obligation bonds -									
1997 General Obligation Unlimited Tax Water Refunding Bonds	\$ 1,740,000	4.4%-4.9%	\$175,000 - \$195,000	2010	\$ 900,000	\$ -	\$ 185,000	\$ 715,000	\$ -
2005 General Obligation Unlimited Capital Improvement Bonds	\$ 2,385,000	3.0%-4.25%	\$80,000 - \$175,000	2025	-	2,385,000	80,000	2,305,000	80,000
Total business-type activities					\$ 900,000	\$ 2,385,000	\$ 265,000	\$ 3,020,000	\$ 80,000

All governmental bond obligations are financed through the Debt Service Funds. Other long-term governmental obligations are typically financed through the General Fund. Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 462,350	\$ 276,443	\$ 738,793	\$ 80,000	\$ 106,823	\$ 186,823
2008	479,731	257,882	737,613	265,000	117,140	382,140
2009	494,531	238,462	732,993	265,000	106,055	371,055
2010	475,286	221,365	696,651	265,000	94,863	359,863
2011	355,684	206,122	561,806	270,000	83,450	353,450
2012-2016	1,893,606	840,303	2,733,909	540,000	339,937	879,937
2017-2021	1,875,000	482,346	2,357,346	675,000	223,250	898,250
2022-2025	1,320,000	86,728	1,406,728	660,000	71,613	731,613
Total	\$ 7,356,188	\$ 2,609,651	\$ 9,965,839	\$ 3,020,000	\$ 1,143,130	\$ 4,163,130

### **Note 7 - Long-term Debt (Continued)**

#### **Defeased Debt**

In prior years, the City defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2006, \$5,805,000 of bonds outstanding are considered to be defeased.

### **Note 8 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool for claims related to general liability; the City is uninsured for workers' compensation and medical benefits.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims have not exceeded the amount of insurance coverage in the past three years.

### Note 8 - Risk Management (Continued)

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Employee Benefit Internal Service Funds and within the governmental activities and business-type activities columns in the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	2006	2005
Unpaid claims - Beginning of year	\$ 384,167	\$ 448,535
Incurred claims (including claims incurred but not reported)	2,085,087	1,559,105
Claim payments	<u>(1,841,446)</u>	<u>(1,623,473)</u>
Unpaid claims - End of year	<u>\$ 627,808</u>	<u>\$ 384,167</u>

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The City of Monroe Employee Retirement System is a single employer defined benefit pension plan that includes hybrid (combination of defined benefit and defined contribution) expenditures and is administered by the City of Monroe. This plan covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

At December 31, 2005, the date of the most recent actuarial valuation, membership consisted of 202 retirees and beneficiaries currently receiving benefits, 17 terminated employees entitled to benefits but not yet receiving them, and 247 current active employees. The plan does not issue a separate financial report.

### Note 9 - Defined Benefit Pension Plan (Continued)

**Funding Policy and Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when they are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 4 percent to 5.5 percent of gross wages, depending on the bargaining unit. The funding policy provides for periodic employer contributions at actuarially determined rates. The plan has been fully funded for several years. Administrative costs of the plan are financed through investment earnings.

All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2006. Securities without an established market are reported at estimated fair value.

**Annual Pension Costs** - The annual contribution for the year ended June 30, 2006 was \$479,028. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age cost method. Significant actuarial assumptions used include: (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional salary increases of 0 percent to 4 percent related to merit and/or longevity, and (d) 2 percent to 3 percent per year cost of living adjustments (depending on bargaining unit). Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 5 to 10 years, depending on the bargaining unit.

**Reserves** - As of June 30, 2006, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 10,385,508
Reserve for retired benefit payments	54,124,808

### Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2004	2005	2006
General Employees' Retirement System:			
Annual pension costs (APC)	\$ -	\$ -	\$ 479,028
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

### Note 10 - Other Postemployment Benefits

During the year ended June 30, 1999, the City began prefunding for the liability for postemployment health care benefits related to employees covered under the Employees' Retirement System based on an actuarial valuation performed for the year ended December 31, 1998. At June 30, 2006, there were 186 active plan participants. Significant actuarial assumptions used in determining the health care obligation for the Employees' Retirement System include a rate of return on investments of present and future assets of 7.5 percent per year compounded annually and a long-term average assumed rate of premium increases of 4.5 percent per year. The actuarially accrued liability for health care as of June 30, 2006 has not been calculated. Employer payroll contributions of 13 percent were deemed by the actuary to be sufficient to sustain the fund indefinitely. The net assets available at June 30, 2006 amount to \$7,704,355. The health care benefit activity related to the employees covered under the General Employees' Retirement System is recorded in the Retiree Health Care Fund. Employer contributions made to this fund of \$2,268,201 for the year ended June 30, 2006 approximated the actuarially determined required contribution.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

### Note 11 - Joint Venture

In October 1991, for the purpose of owning and operating a raw water intake facility, the City and Frenchtown Township formed the Monroe-Frenchtown Raw Water Supply Partnership (the "Partnership"). The Partnership began operations in December 1994 upon completion of Frenchtown Township's own water processing plant.

The City has an 18/26 interest and the Township had a 8/26 interest in the Partnership. Each partner's governing body has an equal vote in managing the affairs of the Partnership. The operation and maintenance costs are split based on actual water consumption. In addition, the Township pays the City an administrative fee of 12.5 percent of its share of operation and maintenance costs. The following financial information of the Partnership was obtained from its audited financial statements for the year ended June 30, 2006:

Total assets	\$ 5,583,598
Total liabilities	54,534
Total equity	5,529,064
Total revenue	357,026
Total operating expenses	349,129
Increase in equity	7,897

Complete financial statements for the joint venture can be obtained from the administrative offices at 120 E. First Street, Monroe, Michigan.

The City's equity interest in the Partnership of \$3,827,813 is recorded in the Water Fund.

### Note 12 - Economic Dependency

Three taxpayers account for approximately 42 percent of the City's tax revenue and 17 percent of the water and sewage disposal revenue.

## **Required Supplemental Information**

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# City of Monroe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Fund Balance - Beginning of year</b>	\$ 3,207,222	\$ 3,207,222	\$ 3,207,222	\$ -
<b>Revenue</b>				
Property taxes	13,203,833	13,171,408	13,146,844	(24,564)
Licenses and permits	253,000	245,355	269,085	23,730
Federal sources	11,000	43,298	46,569	3,271
State-shared revenues and grants	2,273,651	2,238,651	2,226,117	(12,534)
Charges for services	2,247,335	2,223,201	2,190,866	(32,335)
Fines and forfeitures	152,500	126,800	122,831	(3,969)
Interest income	345,000	415,000	449,436	34,436
Rent	64,385	65,285	68,478	3,193
Other	54,000	51,500	21,809	(29,691)
Total revenue	18,604,704	18,580,498	18,542,035	(38,463)
<b>Expenditures</b>				
General government:				
City Council	175,975	155,975	152,409	3,566
City manager	390,284	415,888	414,987	901
Clerk-Treasurer	459,810	491,588	488,928	2,660
Finance	457,978	487,468	484,421	3,047
Assessor	318,672	386,874	380,843	6,031
Attorney	242,105	256,905	254,982	1,923
Data processing	191,555	191,555	191,555	-
Personnel	246,309	249,920	237,860	12,060
Engineering	424,441	463,592	459,315	4,277
City hall grounds	305,384	300,661	292,198	8,463
Total general government	3,212,513	3,400,426	3,357,498	42,928
Public safety:				
Police	4,965,520	5,082,905	4,936,549	146,356
Fire	4,095,705	4,145,811	4,052,676	93,135
Zoning/Ordinance enforcement	258,901	282,125	264,867	17,258
Total public safety	9,320,126	9,510,841	9,254,092	256,749
Public works - Department of Public Services	2,151,326	2,394,504	2,396,670	(2,166)
Health and welfare - Community development	322,505	323,533	315,809	7,724

# City of Monroe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Expenditures (Continued)</b>				
Recreation and culture:				
Historic district commission	\$ 16,150	\$ 24,458	\$ 23,917	\$ 541
Social services	145,771	145,771	145,771	-
Public access TV	103,000	113,000	112,176	824
Library	61,200	61,200	61,200	-
Recreation	1,904,734	1,873,849	1,867,388	6,461
Total recreation and culture	2,230,855	2,218,278	2,210,452	7,826
Contingencies	405,000	-	-	-
Total expenditures	17,642,325	17,847,582	17,534,521	313,061
<b>Other Sources</b> - Transfers from other funds	150,000	150,000	150,000	-
<b>Other Uses</b> - Transfers to other funds	(1,108,004)	(1,375,685)	(1,375,685)	-
<b>Change in Fund Balance</b>	4,375	(492,769)	(218,171)	274,598
<b>Fund Balance</b> - End of year	<u>\$ 3,211,597</u>	<u>\$ 2,714,453</u>	<u>\$ 2,989,051</u>	<u>\$ 274,598</u>

# City of Monroe, Michigan

## Required Supplemental Information General Employees' Retirement System Schedule of Funding Progress and Employer Contributions June 30, 2006 (Dollar amounts in thousands)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
12/31/00	\$ 104,266	\$ 69,040	\$ (35,226)	151.0	\$ 11,857	297.1
12/31/01	110,126	72,033	(38,093)	152.9	11,907	319.9
12/31/02	110,362	81,224	(29,138)	135.9	12,515	232.8
12/31/03	110,752	86,365	(24,387)	128.2	12,573	194.0
12/31/04	111,524	98,058	(13,466)	113.7	13,016	103.5
12/31/05	118,935	101,937	(16,998)	116.7	13,233	128.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/00	12/31/98	\$ 426,131	100.0
06/30/01	12/31/99	11,596	100.0
06/30/02	12/31/00	-	100.0
06/30/03	12/31/01	-	100.0
06/30/04	12/31/02	-	100.0
06/30/05	12/31/03	-	100.0
06/30/06	12/31/04	479,028	100.0

\* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actuarial valuation date, is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	Varies
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return**	7.5%
**Includes inflation at	4.5%
Seniority/merit	0% -4%
Cost of living adjustments	2%-3%

## **Other Supplemental Information**

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# Nonmajor Governmental Funds

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## Special Revenue Funds

The **Major Streets Fund** accounts for the construction, maintenance, and repairs of all major streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Local Streets Fund** accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Rubbish, Garbage, and Recycling Fund** accounts for the funds provided by special tax millage for the collection and removal of solid waste. This fund was authorized by a vote of the people authorizing a tax levy.

The **Parking Meter Fund** accounts for collection of parking fees and fines and offsetting costs.

The **Grants Fund** accounts for entitlements received under the federally funded Community Development Block Grant Program. These funds are used to provide approved Block Grant projects and programs.

The **Budget Stabilization Fund** accounts for funds earmarked for use in balancing the budget in future years.

The **Drug Forfeiture Fund** accounts for proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333,7521-7524).

The **Economic Development Fund** accounts for economic development activities within the City. Currently, interest earnings are the only source of revenue.

The **Airport Fund** accounts for the operations of Custer Airport. Financing is provided by user charges.

The **Building Safety Fund** accounts for operations of construction code activities.

The **Expendable Trust Fund** accounts for money held in trust resulting from donations to be used for a particular purpose.

## **Nonmajor Governmental Funds (Continued)**

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### **Debt Service Funds**

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies, for which the government is obligated in some manner for payment.

The **Building Authority Fund** is used to account for the accumulation of resources and payment of general obligation bond principal and interest related to the multi-sports complex.

### **Capital Projects Fund**

The **Capital Projects Fund** is used to account for the development of capital facilities other than those financed by the operations of an Enterprise Fund.

# City of Monroe, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
<b>Assets</b>						
Cash and cash equivalents	\$ 357,978	\$ -	\$ 605,067	\$ 92,842	\$ 111,659	\$ 25,839
Investments	916,000	-	618,000	-	-	1,974,161
Receivables:						
Customer receivables	-	-	-	-	-	-
Property taxes	-	-	162,796	-	-	-
Economic development loans	-	-	-	-	81,559	-
Special assessment receivable	25,383	-	-	-	-	-
Accrued interest	9,179	-	1,635	101	143	-
Other	-	-	-	75,395	-	-
Other assets	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Due from other funds	-	40,449	-	-	-	-
Due from other governmental units	161,795	56,966	-	-	81,390	-
<b>Total assets</b>	<b>\$ 1,470,335</b>	<b>\$ 97,415</b>	<b>\$ 1,387,498</b>	<b>\$ 168,338</b>	<b>\$ 274,751</b>	<b>\$ 2,000,000</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 55,263	\$ 59,827	\$ 79,613	\$ 1,975	\$ -	\$ -
Accrued and other liabilities	-	-	-	1,440	-	-
Deferred revenue	20,094	-	1,297,298	75,395	158,079	-
Due to other funds	40,449	11,257	-	16	73,267	-
<b>Total liabilities</b>	<b>115,806</b>	<b>71,084</b>	<b>1,376,911</b>	<b>78,826</b>	<b>231,346</b>	<b>-</b>
<b>Fund Balances - Unreserved</b>	<b>1,354,529</b>	<b>26,331</b>	<b>10,587</b>	<b>89,512</b>	<b>43,405</b>	<b>2,000,000</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,470,335</b>	<b>\$ 97,415</b>	<b>\$ 1,387,498</b>	<b>\$ 168,338</b>	<b>\$ 274,751</b>	<b>\$ 2,000,000</b>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

Special Revenue Funds					Debt Service Funds		Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Drug Forfeiture	Economic Development	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	
\$ 61,007	\$ 168,982	\$ -	\$ 131,700	\$ 70,001	\$ 483	\$ 491	\$ 24,342	\$ 1,650,391
-	548,000	-	-	-	-	201,655	1,540,177	5,797,993
-	-	1,522	-	-	-	-	-	1,522
-	-	-	-	-	531	-	1,537	164,864
-	632,155	-	-	-	-	-	-	713,714
-	-	-	-	-	-	-	145,195	170,578
147	6,718	-	250	-	-	983	13,912	33,068
-	-	-	-	-	-	-	5,911	81,306
-	-	26,601	-	26,100	-	-	12,079	64,780
-	281,482	-	-	-	-	-	-	281,482
-	-	-	-	-	-	-	56,987	97,436
-	11,005	36,670	-	-	-	-	37,605	385,431
<b>\$ 61,154</b>	<b>\$ 1,648,342</b>	<b>\$ 64,793</b>	<b>\$ 131,950</b>	<b>\$ 96,101</b>	<b>\$ 1,014</b>	<b>\$ 203,129</b>	<b>\$ 1,837,745</b>	<b>\$ 9,442,565</b>
\$ 5	\$ 403,857	\$ 26,170	\$ 715	\$ 222	\$ 4	\$ 178	\$ 213,987	\$ 841,816
-	-	2,576	6,676	-	-	-	-	10,692
-	944,914	-	-	-	531	-	112,982	2,609,293
-	-	19,962	77	-	-	-	-	145,028
5	1,348,771	48,708	7,468	222	535	178	326,969	3,606,829
61,149	299,571	16,085	124,482	95,879	479	202,951	1,510,776	5,835,736
<b>\$ 61,154</b>	<b>\$ 1,648,342</b>	<b>\$ 64,793</b>	<b>\$ 131,950</b>	<b>\$ 96,101</b>	<b>\$ 1,014</b>	<b>\$ 203,129</b>	<b>\$ 1,837,745</b>	<b>\$ 9,442,565</b>



# City of Monroe, Michigan

Special Revenue Fundss						
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ 1,026,479	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal sources	348,048	-	-	-	364,929	-
State sources	1,155,820	344,997	-	-	-	-
Charges for service	-	-	11,250	145,298	-	-
Interest income	46,110	672	26,030	5,015	18,989	-
Special assessments	3,188	-	-	-	-	-
Rent	-	-	-	-	-	-
Other	16,084	178,953	-	-	6,855	-
Total revenue	1,569,250	524,622	1,063,759	150,313	390,773	-
<b>Expenditures</b>						
Current services:						
Public safety	-	-	-	254,969	-	-
Public works	1,296,339	1,352,539	1,142,216	-	-	-
Health and welfare	-	-	-	-	80,318	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	1,296,339	1,352,539	1,142,216	254,969	80,318	-
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	272,911	(827,917)	(78,457)	(104,656)	310,455	-
<b>Other Financing Sources (Uses)</b>						
Transfers in	38,600	649,821	-	-	-	-
Transfers out	(416,586)	-	-	(60,860)	(700,710)	-
Total other financing sources (uses)	(377,986)	649,821	-	(60,860)	(700,710)	-
<b>Net Change in Fund Balances</b>	(105,075)	(178,096)	(78,457)	(165,516)	(390,255)	-
<b>Fund Balances - Beginning of year</b>	1,459,604	204,427	89,044	255,028	433,660	2,000,000
<b>Fund Balances - End of year</b>	<u>\$ 1,354,529</u>	<u>\$ 26,331</u>	<u>\$ 10,587</u>	<u>\$ 89,512</u>	<u>\$ 43,405</u>	<u>\$ 2,000,000</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

Special Revenue Funds					Debt Service Funds		Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Drug Forfeiture	Economic Development	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,026,479
-	-	-	397,311	-	-	-	-	397,311
-	-	376,488	-	-	-	-	25,000	1,114,465
-	27,005	82,357	-	-	-	-	229,362	1,839,541
-	-	183,442	-	-	-	-	-	339,990
2,409	34,669	42	10,129	-	75	9,571	73,671	227,382
-	-	-	-	-	-	-	96,386	99,574
-	-	82,598	-	-	-	489,888	-	572,486
14,146	111,447	-	9,690	49,397	-	-	4,467	391,039
16,555	173,121	724,927	417,130	49,397	75	499,459	428,886	6,008,267
6,651	-	-	-	-	-	-	-	261,620
-	575,084	758,198	537,229	58,345	-	-	1,552,752	7,272,702
-	-	-	-	-	-	-	-	80,318
-	-	-	-	-	-	-	697,254	697,254
-	-	-	-	-	60,579	458,380	-	518,959
-	-	-	-	-	-	14,856	-	14,856
6,651	575,084	758,198	537,229	58,345	60,579	473,236	2,250,006	8,845,709
9,904	(401,963)	(33,271)	(120,099)	(8,948)	(60,504)	26,223	(1,821,120)	(2,837,442)
-	66,581	10,333	-	-	60,579	-	1,530,897	2,356,811
-	-	(12,050)	(6,335)	-	-	-	-	(1,196,541)
-	66,581	(1,717)	(6,335)	-	60,579	-	1,530,897	1,160,270
9,904	(335,382)	(34,988)	(126,434)	(8,948)	75	26,223	(290,223)	(1,677,172)
51,245	634,953	51,073	250,916	104,827	404	176,728	1,800,999	7,512,908
<b>\$ 61,149</b>	<b>\$ 299,571</b>	<b>\$ 16,085</b>	<b>\$ 124,482</b>	<b>\$ 95,879</b>	<b>\$ 479</b>	<b>\$ 202,951</b>	<b>\$ 1,510,776</b>	<b>\$ 5,835,736</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds Year Ended June 30, 2006

### Special Revenue Fund - Major Streets

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues and Other Sources</b>				
Federal sources	\$ 300,000	\$ 348,048	\$ 348,048	\$ -
State sources	1,118,096	1,113,096	1,155,820	42,724
Interest income	30,500	38,800	46,110	7,310
Other	8,000	1,000	19,272	18,272
Other sources - Transfers in	38,600	38,600	38,600	-
Total revenues and other sources	<u>\$ 1,495,196</u>	<u>\$ 1,539,544</u>	<u>\$ 1,607,850</u>	<u>\$ 68,306</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 1,240,805	\$ 1,523,852	\$ 1,296,339	\$ 227,513
Other uses - Transfers out	322,024	414,824	416,586	(1,762)
Total expenditures and other uses	<u>\$ 1,562,829</u>	<u>\$ 1,938,676</u>	<u>\$ 1,712,925</u>	<u>\$ 225,751</u>

### Special Revenue Fund - Local Streets

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues and Other Sources</b>				
State sources	\$ 353,394	\$ 341,258	\$ 344,997	\$ 3,739
Interest income	7,000	300	672	372
Other	134,165	136,185	178,953	42,768
Other sources - Transfers in	330,259	648,059	649,821	1,762
Total revenues and other sources	<u>\$ 824,818</u>	<u>\$ 1,125,802</u>	<u>\$ 1,174,443</u>	<u>\$ 48,641</u>
<b>Expenditures - Public works</b>	<u>\$ 1,188,100</u>	<u>\$ 1,326,403</u>	<u>\$ 1,352,539</u>	<u>\$ (26,136)</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue Fund - Rubbish, Garbage, and Recycling

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 1,032,520	\$ 1,026,750	\$ 1,026,479	\$ (271)
Charges for service	13,000	11,500	11,250	(250)
Interest income	16,500	23,000	26,030	3,030
Total revenues	<u>\$ 1,062,020</u>	<u>\$ 1,061,250</u>	<u>\$ 1,063,759</u>	<u>\$ 2,509</u>
<b>Expenditures - Public works</b>	<u>\$ 1,102,000</u>	<u>\$ 1,141,000</u>	<u>\$ 1,142,216</u>	<u>\$ (1,216)</u>

### Special Revenue Fund - Parking Meter

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Charges for service	\$ 130,000	\$ 148,000	\$ 145,298	\$ (2,702)
Interest income	6,000	5,000	5,015	15
Total revenues	<u>\$ 136,000</u>	<u>\$ 153,000</u>	<u>\$ 150,313</u>	<u>\$ (2,687)</u>
<b>Expenditures and Other Uses</b>				
Public safety	\$ 150,602	\$ 317,935	\$ 254,969	\$ 62,966
Other uses - Transfer out	860	60,860	60,860	-
Total expenditures and other uses	<u>\$ 151,462</u>	<u>\$ 378,795</u>	<u>\$ 315,829</u>	<u>\$ 62,966</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue Fund - Grants

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues and Other Sources</b>				
Federal sources	\$ 819,219	\$ 932,836	\$ 364,929	\$ (567,907)
Interest income	14,800	16,774	18,989	2,215
Other	-	-	6,855	6,855
Total revenues and other sources	<u>\$ 834,019</u>	<u>\$ 949,610</u>	<u>\$ 390,773</u>	<u>\$ (558,837)</u>
<b>Expenditures and Other Uses</b>				
Health and welfare	\$ 143,919	\$ 90,000	\$ 80,318	\$ 9,682
Other uses - Transfers out	675,300	1,166,881	700,710	466,171
Total expenditures and other uses	<u>\$ 819,219</u>	<u>\$ 1,256,881</u>	<u>\$ 781,028</u>	<u>\$ 475,853</u>

### Special Revenue Fund - Drug Forfeiture

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Interest income	\$ 800	\$ 2,000	\$ 2,409	\$ 409
Other	12,000	12,000	14,146	2,146
Total revenues	<u>\$ 12,800</u>	<u>\$ 14,000</u>	<u>\$ 16,555</u>	<u>\$ 2,555</u>
<b>Expenditures - Public safety</b>	<u>\$ 26,120</u>	<u>\$ 11,500</u>	<u>\$ 6,651</u>	<u>\$ 4,849</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue Fund - Economic Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Federal sources	\$ -	\$ 400,000	\$ -	\$ (400,000)
State sources	-	1,000,000	27,005	(972,995)
Interest income	4,000	25,000	34,669	9,669
Other Income	-	88,648	111,447	22,799
Other sources - Transfers in	-	66,581	66,581	-
<b>Total revenues</b>	<b>\$ 4,000</b>	<b>\$ 1,580,229</b>	<b>\$ 239,702</b>	<b>\$ (1,340,527)</b>
<b>Expenditures and Other Uses -</b>				
Public works	<b>\$ 45,000</b>	<b>\$ 1,992,288</b>	<b>\$ 575,084</b>	<b>\$ 1,417,204</b>

### Special Revenue Fund - Airport

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Federal sources	\$ 157,000	\$ 536,900	\$ 376,488	\$ (160,412)
State sources	-	16,900	82,357	65,457
Charges for service	15,000	260,100	183,442	(76,658)
Rent	141,700	98,120	82,598	(15,522)
Interest income	125	300	42	(258)
Other sources - Transfers in	-	110,333	10,333	(100,000)
<b>Total revenues</b>	<b>\$ 313,825</b>	<b>\$ 1,022,653</b>	<b>\$ 735,260</b>	<b>\$ (287,393)</b>
<b>Expenditures and Other Uses</b>				
Other uses - Transfers out	\$ 12,050	\$ 12,050	\$ 12,050	\$ -
Public works	297,692	1,037,929	758,198	279,731
<b>Total expenditures and other uses</b>	<b>\$ 309,742</b>	<b>\$ 1,049,979</b>	<b>\$ 770,248</b>	<b>\$ 279,731</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue Fund - Building Safety

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Licenses and permits	\$ 443,800	\$ 439,361	\$ 407,001	\$ (32,360)
Interest income	6,500	8,500	10,129	1,629
Total revenues	<u>\$ 450,300</u>	<u>\$ 447,861</u>	<u>\$ 417,130</u>	<u>\$ (30,731)</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 498,580	\$ 544,084	\$ 537,229	\$ 6,855
Other uses - Transfers out	6,335	6,335	6,335	-
Total expenditures and other uses	<u>\$ 504,915</u>	<u>\$ 550,419</u>	<u>\$ 543,564</u>	<u>\$ 6,855</u>

### Special Revenue Fund - Expendable Trust

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues - Other revenue</b>	<u>\$ -</u>	<u>\$ 63,815</u>	<u>\$ 49,397</u>	<u>\$ (14,418)</u>
<b>Expenditures - Public works</b>	<u>\$ -</u>	<u>\$ 142,945</u>	<u>\$ 58,345</u>	<u>\$ 84,600</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Debt Service Fund - Debt Service

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Interest income	\$ 100	\$ 153	\$ 75	\$ (78)
Other sources - Transfers in	80,579	80,579	80,579	-
Total revenues	<u>\$ 80,679</u>	<u>\$ 80,732</u>	<u>\$ 80,654</u>	<u>\$ (78)</u>
<b>Expenditures - Debt service</b>	<u>\$ 80,579</u>	<u>\$ 80,579</u>	<u>\$ 80,579</u>	<u>\$ -</u>

### Debt Service Fund - Building Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Interest on investments	\$ 2,000	\$ 7,500	\$ 9,571	\$ 2,071
Rent	487,003	487,003	489,888	2,885
Total revenues	<u>\$ 489,003</u>	<u>\$ 494,503</u>	<u>\$ 499,459</u>	<u>\$ 4,956</u>
<b>Expenditures and Other Uses</b>				
Debt service	\$ 455,556	\$ 458,542	\$ 458,380	\$ 162
Miscellaneous	4,803	16,488	14,856	1,632
Total expenditures and other uses	<u>\$ 460,359</u>	<u>\$ 475,030</u>	<u>\$ 473,236</u>	<u>\$ 1,794</u>



# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Capital Projects Fund - Capital Projects

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Federal sources	\$ 322,700	\$ 347,700	\$ 25,000	\$ (322,700)
State sources	48,415	37,604	229,362	191,758
Interest income	25,000	60,000	73,671	13,671
Special assessments	54,300	62,961	96,386	33,425
Other	-	-	4,467	4,467
Other sources - Transfers in	1,419,387	3,022,068	1,530,897	(1,491,171)
Total revenues	<u>\$ 1,869,802</u>	<u>\$ 3,530,333</u>	<u>\$ 1,959,783</u>	<u>\$ (1,570,550)</u>
<b>Expenditures and Other Uses</b>				
Public works	\$ 1,488,659	\$ 2,977,205	\$ 1,552,752	\$ 1,424,453
Capital outlay	618,143	1,838,649	697,254	1,141,395
Total expenditures and other uses	<u>\$ 2,106,802</u>	<u>\$ 4,815,854</u>	<u>\$ 2,250,006</u>	<u>\$ 2,565,848</u>

## Internal Service Funds

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The **Stores and Equipment Fund** accounts for the costs of acquiring and maintaining equipment and supplies utilized in the operations of the City. Departments are charged a rate sufficient to cover all costs, plus a provision for depreciation and replacement.

The **Information Systems Fund** records the operations of the management information systems department, which includes procurement and maintenance of equipment and computing support for informational needs of the City. Financing is provided by reimbursement from user service charges.

The **Insurance Fund** accounts for payment of public liability premiums.

The **Employee Benefits Fund** accounts for payment of certain employee benefits including health care and workers' compensation for which the City is self-insured and finances its claim payments through budgeted transfers from other funds.

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2006

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Assets</b>					
Current assets:					
Cash and investments:	\$ 43,238	\$ 341,733	\$ 66,874	\$ 332,437	\$ 784,282
Investments	-	-	102,104	1,941,000	2,043,104
Receivables:					
Interest	3	794	533	15,877	17,207
Other	2,696	-	-	32,208	34,904
Due from other funds	-	-	105,867	3,364	109,231
Prepaid costs and other assets	-	27	312,814	500	313,341
Inventories	32,672	-	-	-	32,672
Total current assets	78,609	342,554	588,192	2,325,386	3,334,741
Noncurrent assets - Capital assets	1,433,673	37,105.0000	-	-	1,470,778
Total assets	1,512,282	379,659	588,192	2,325,386	4,805,519
<b>Liabilities</b>					
Current:					
Accounts payable	44,961	1,044	9,998	41,961	97,964
Accrued liabilities	38,563	25,320	-	2,195,326	2,259,209
Current portion of long-term debt	35,608	-	-	-	35,608
Due to other funds	105,922	46	-	-	105,968
Total current liabilities	225,054	26,410	9,998	2,237,287	2,498,749
Noncurrent liabilities - Long-term debt - Net of current portion	72,666	-	-	-	72,666
Total liabilities	297,720	26,410	9,998	2,237,287	2,571,415
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	1,325,399	37,105	-	-	1,362,504
Unrestricted	(110,837)	316,144	578,194	88,099	871,600
Total net assets	<u>\$ 1,214,562</u>	<u>\$ 353,249</u>	<u>\$ 578,194</u>	<u>\$ 88,099</u>	<u>\$ 2,234,104</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2006

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Operating Revenue</b>					
Charges to other funds	\$ 815,227	\$ 443,804	\$ 419,021	\$ 2,680,045	\$ 4,358,097
Other	<u>25,842</u>	<u>10,744</u>	<u>-</u>	<u>35,628</u>	<u>72,214</u>
Total operating revenue	841,069	454,548	419,021	2,715,673	4,430,311
<b>Operating Expenses</b>					
Insurance premiums and claims	104,064	70,945	469,511	2,909,649	3,554,169
Operations and maintenance	334,752	5,495	-	-	340,247
General and administrative	403,145	264,663	16,611	36,494	720,913
Depreciation	<u>194,392</u>	<u>8,411</u>	<u>-</u>	<u>-</u>	<u>202,803</u>
Total operating expenses	<u>1,036,353</u>	<u>349,514</u>	<u>486,122</u>	<u>2,946,143</u>	<u>4,818,132</u>
<b>Operating Income (Loss)</b>	(195,284)	105,034	(67,101)	(230,470)	(387,821)
<b>Nonoperating Revenue (Expense)</b>					
Investment income	516	18,003	22,247	89,955	130,721
Interest expense	<u>(8,711)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,711)</u>
Total nonoperating revenue (expense)	<u>(8,195)</u>	<u>18,003</u>	<u>22,247</u>	<u>89,955</u>	<u>122,010</u>
<b>Income (Loss) - Before transfers</b>	(203,479)	123,037	(44,854)	(140,515)	(265,811)
<b>Transfers to/from Other Funds</b>	<u>(30,531)</u>	<u>(239,542)</u>	<u>-</u>	<u>222,987</u>	<u>(47,086)</u>
<b>Net Income (Loss)</b>	(234,010)	(116,505)	(44,854)	82,472	(312,897)
<b>Net Assets - Beginning of year</b>	<u>1,448,572</u>	<u>469,754</u>	<u>623,048</u>	<u>5,627</u>	<u>2,547,001</u>
<b>Net Assets - End of year</b>	<u>\$ 1,214,562</u>	<u>\$ 353,249</u>	<u>\$ 578,194</u>	<u>\$ 88,099</u>	<u>\$ 2,234,104</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2006

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 819,674	\$ 443,804	\$ 419,021	\$ 2,765,797	\$ 4,448,296
Payments to suppliers	(407,901)	(58,672)	(515,733)	(2,903,652)	(3,885,958)
Payments to employees for wages and benefits	(386,360)	(280,188)	(93,396)	(14,011)	(773,955)
Other receipts/payments	25,842	10,744	-	35,628	72,214
Net cash provided by (used in ) operating activities	51,255	115,688	(190,108)	(116,238)	(139,403)
<b>Cash Flows from Noncapital Financing Activities -</b>					
Transfers in (out)	(30,531)	(239,542)	-	222,987	(47,086)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal and interest paid on long-term debt	(42,081)	-	-	-	(42,081)
Purchase of capital assets	(91,267)	(29,863)	-	-	(121,130)
Net cash used in capital and related financing activities	(133,348)	(29,863)	-	-	(163,211)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	523	18,346	22,152	81,806	122,827
Purchase of investment securities	-	-	-	(439,000)	(439,000)
Proceeds from sale and maturities of investment securities	-	105,000	205,630	-	310,630
Net cash provided by (used in ) investing activities	523	123,346	227,782	(357,194)	(5,543)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(112,101)	(30,371)	37,674	(250,445)	(355,243)
<b>Cash and Cash Equivalents - July 1, 2005</b>	155,339	372,104	29,200	582,882	1,139,525
<b>Cash and Cash Equivalents - June 30, 2006</b>	<u>\$ 43,238</u>	<u>\$ 341,733</u>	<u>\$ 66,874</u>	<u>\$ 332,437</u>	<u>\$ 784,282</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (195,284)	\$ 105,034	\$ (67,101)	\$ (230,470)	\$ (387,821)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	194,392	8,411	-	-	202,803
Changes in assets and liabilities:					
Receivables	4,447	-	-	4,558	9,005
Due from other funds	-	-	-	81,194	81,194
Prepaid costs and other assets	25,812	350	(132,692)	(500)	(107,030)
Inventory	(3,272)	-	-	-	(3,272)
Accounts payable	18,486	(2,033)	9,685	528	26,666
Accrued and other liabilities	6,619	3,880	-	28,452	38,951
Due to other funds	55	46	-	-	101
Net cash provided by (used in ) operating activities	<u>\$ 51,255</u>	<u>\$ 115,688</u>	<u>\$ (190,108)</u>	<u>\$ (116,238)</u>	<u>\$ (139,403)</u>

## **Pension and Other Employee Benefit Trust Funds**

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The **Pension Trust Fund** accounts for the activities of the Monroe Employees' Retirement System, which accumulates resources for pension benefit payments to qualified city employees. The money in this fund is obtained by employer pension expenses from operating funds (employer contributions), employee payroll deductions (employee contributions), and investment earnings.

The **Retiree Health Care Fund** accounts for costs related to retiree health care benefits. Financing is provided through budgeted transfers from other funds.

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds June 30, 2006

	Pension Trust	Retiree Health Care	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 216,667	\$ 216,667
Investments:			
U.S. government	23,293,654	-	23,293,654
Stocks	55,952,722	2,599,691	58,552,413
Corporate bonds	19,268,693	-	19,268,693
Mutual funds	17,548,794	4,871,519	22,420,313
Other investments	2,183,907	-	2,183,907
Securities lending short-term collateral	19,721,760	-	19,721,760
Receivables:			
Interest	525,066	2,570	527,636
Other	28,101	61,322	89,423
<b>Total assets</b>	<b>138,522,697</b>	<b>7,751,769</b>	<b>146,274,466</b>
<b>Liabilities</b>			
Accrued and other liabilities	-	47,414	47,414
Amounts due to broker under securities lending agreement	19,721,760	-	19,721,760
<b>Total liabilities</b>	<b>19,721,760</b>	<b>47,414</b>	<b>19,769,174</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b><u>\$ 118,800,937</u></b>	<b><u>\$ 7,704,355</u></b>	<b><u>\$ 126,505,292</u></b>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2006

	Pension Trust	Retiree Health Care	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,846,260	\$ -	\$ 2,846,260
Net increase in fair value of investments	6,977,222	618,892	7,596,114
Less investment expenses	(736,190)	-	(736,190)
Net investment income	9,087,292	618,892	9,706,184
Securities lending income:			
Interest and fees	625,122	-	625,122
Less borrower rebates and bank fees	(599,853)	-	(599,853)
Net securities lending income	25,269	-	25,269
Contributions:			
Employer	479,028	2,268,201	2,747,229
Employee	629,818	-	629,818
Total additions	10,221,407	2,887,093	13,108,500
<b>Deductions</b>			
Benefit payments	5,117,826	1,746,639	6,864,465
Refunds of contributions	4,430	-	4,430
Administrative expenses	17,266	1,832	19,098
Total deductions	5,139,522	1,748,471	6,887,993
<b>Net Increase</b>	5,081,885	1,138,622	6,220,507
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>			
Beginning of year	113,719,052	6,565,733	120,284,785
End of year	<u>\$ 118,800,937</u>	<u>\$ 7,704,355</u>	<u>\$ 126,505,292</u>



## **Agency Fund**

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The **Agency Fund** accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Fund June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Assets</b>				
Cash and cash equivalents	\$ 6,909,448	\$ 71,976,900	\$ 71,517,152	\$ 7,369,196
Other assets	<u>1,497,897</u>	<u>33,621,222</u>	<u>33,017,079</u>	<u>2,102,040</u>
Total assets	<u><b>\$ 8,407,345</b></u>	<u><b>\$ 105,598,122</b></u>	<u><b>\$ 104,534,231</b></u>	<u><b>\$ 9,471,236</b></u>
<b>Liabilities</b>				
Accounts payable	\$ 17,253	\$ 616,706	\$ 620,569	\$ 13,390
Accrued and other liabilities	6,854	-	-	6,854
Due to other governmental units	<u>8,383,238</u>	<u>35,883,891</u>	<u>34,816,137</u>	<u>9,450,992</u>
Total liabilities	<u><b>\$ 8,407,345</b></u>	<u><b>\$ 36,500,597</b></u>	<u><b>\$ 35,436,706</b></u>	<u><b>\$ 9,471,236</b></u>

## **Statistical Section**

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This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

## **Financial Trends**

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

# City of Monroe, Michigan

## Financial Trends Net Assets by Component

	As of June 30			
	2003	2004	2005	2006
<b>Governmental Activities</b>				
Invested in capital assets - Net of related debt	\$ 73,971,934	\$ 71,362,624	\$ 69,001,428	\$ 68,662,294
Restricted	2,563,615	3,060,630	2,488,896	1,620,483
Unrestricted	9,401,509	9,021,764	9,393,005	8,104,377
Total net assets	85,937,058	83,445,018	80,883,329	78,387,154
<b>Business-type Activities</b>				
Invested in capital assets - Net of related debt	37,958,067	39,931,725	41,022,518	42,290,619
Unrestricted	14,685,332	14,801,823	14,478,292	13,380,716
Total net assets	52,643,399	54,733,548	55,500,810	55,671,335
<b>Primary Government in Total</b>				
Invested in capital assets - Net of related debt	111,930,001	111,294,349	110,023,946	110,952,913
Restricted	2,563,615	3,060,630	2,488,896	1,620,483
Unrestricted	24,086,841	23,823,587	23,871,297	21,485,093
Total net assets	<u>\$ 138,580,457</u>	<u>\$ 138,178,566</u>	<u>\$ 136,384,139</u>	<u>\$ 134,058,489</u>

# City of Monroe, Michigan

## Financial Trends Changes in Governmental and Business-type Net Assets

	Year Ended June 30			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,478,310	\$ 2,739,358	\$ 2,797,809	\$ 2,357,099
Public safety	8,398,969	9,438,673	9,955,878	10,459,761
Public works	6,929,557	8,535,047	10,419,518	11,135,310
Community development	810,794	1,856,992	559,559	913,348
Culture and recreation	2,088,319	2,083,546	1,535,537	1,246,452
Interest on long-term debt	442,533	428,843	335,422	268,285
Total governmental activities	21,148,482	25,082,459	25,603,723	26,380,255
Business-type activities:				
Water	4,708,737	4,156,634	4,745,717	5,213,975
Wastewater	5,606,874	5,447,142	5,641,788	5,787,812
Total business-type activities expenses	10,315,611	9,603,776	10,387,505	11,001,787
Total primary government expenses	31,464,093	34,686,235	35,991,228	37,382,042
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	393,924	226,571	87,348	116,994
Public safety	1,281,521	1,181,297	1,238,814	1,280,660
Public works	586,877	387,788	407,955	1,169,010
Community development	54,414	5,691	302,682	367,937
Culture and recreation	1,335,850	1,252,575	1,184,312	1,121,457
Operating grants and contributions	1,664,974	2,683,511	1,987,274	2,088,844
Capital grants and contributions	136,319	24,051	3,918	3,188
Total governmental activities program revenue	5,453,879	5,761,484	5,212,303	6,148,090
Business-type activities:				
Charges for services:				
Water	4,593,706	4,704,174	5,028,934	4,877,286
Wastewater	4,953,138	5,461,691	5,329,404	5,457,644
Capital grants and contributions	481,009	534,856	523,215	627,125
Total business-type activities program revenues	10,027,853	10,700,721	10,881,553	10,962,055
Total primary government program revenues	15,481,732	16,462,205	16,093,856	17,110,145
<b>Net (Expense) Revenue</b>				
Governmental activities	(15,694,603)	(19,320,975)	(20,391,420)	(20,232,165)
Business-type activities	(287,758)	1,096,945	494,048	(39,732)
Total primary government net expense	(15,982,361)	(18,224,030)	(19,897,372)	(20,271,897)

# City of Monroe, Michigan

## Financial Trends

### Changes in Governmental and Business-type Net Assets (Continued)

	Year Ended June 30			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Property taxes	\$ 13,207,761	\$ 13,547,001	\$ 14,288,246	\$ 14,207,450
State-shared revenues	2,443,593	2,211,290	2,175,483	2,155,107
Investment earnings	430,530	321,738	519,669	816,760
Franchise fees	159,606	249,297	213,223	224,351
Gain on sale of capital assets	-	431,055	509,664	351
Miscellaneous	20,267	26,719	82,105	179,772
Transfers	279,141	41,835	41,341	152,199
Special item	(6,244)	-	-	-
Total governmental activities	16,534,654	16,828,935	17,829,731	17,735,990
Business-type activities:				
Investment earnings	289,625	253,806	308,659	343,595
Gain on sale of capital assets	-	21,485	-	12,365
Miscellaneous	-	5,743	5,896	6,496
Transfers	(279,141)	(41,835)	(41,341)	(152,199)
Total business-type activities	10,484	239,199	273,214	210,257
Total primary government	16,545,138	17,068,134	18,102,945	17,946,247
<b>Changes in Net Assets</b>				
Governmental activities	840,051	(2,492,040)	(2,561,689)	(2,496,175)
Business-type activities	(277,274)	1,336,144	767,262	170,525
Total primary government	<u>\$ 562,777</u>	<u>\$ (1,155,896)</u>	<u>\$ (1,794,427)</u>	<u>\$ (2,325,650)</u>

# City of Monroe, Michigan

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	1997	1998	1999	2000
<b>General Fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,531,008	1,579,057	1,837,618	2,156,796
Total General Fund	1,531,008	1,579,057	1,837,618	2,156,796
All other governmental funds:				
Reserved	209,981	209,981	-	-
Unreserved, reported in:				
Special Revenue Funds	1,493,882	2,139,199	2,266,875	3,252,175
Capital Project Funds	1,862,660	2,050,818	2,371,131	2,706,628
Debt Service Funds	348,636	426,654	689,619	688,546
Total all other governmental funds	<u>\$ 3,915,159</u>	<u>\$ 4,826,652</u>	<u>\$ 5,327,625</u>	<u>\$ 6,647,349</u>



**Financial Trends**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

2001	2002	2003	2004	2005	2006
\$ -	\$ 25,603	\$ 24,016	\$ 40,989	\$ 24,775	\$ 27,217
2,949,279	2,577,075	2,921,594	2,955,892	3,182,447	2,961,834
2,949,279	2,602,678	2,945,610	2,996,881	3,207,222	2,989,051
-	213,051	-	-	-	-
4,086,784	5,255,000	5,833,155	6,033,496	5,534,777	4,121,530
2,021,597	1,167,365	1,344,826	1,699,590	1,800,999	1,510,776
758,681	109,727	120,172	149,986	177,132	203,430
<b><u>\$ 6,867,062</u></b>	<b><u>\$ 6,745,143</u></b>	<b><u>\$ 7,298,153</u></b>	<b><u>\$ 7,883,072</u></b>	<b><u>\$ 7,512,908</u></b>	<b><u>\$ 5,835,736</u></b>

# City of Monroe, Michigan

	Year Ended			
	1997	1998	1999	2000
<b>Revenue</b>				
Property taxes	\$ 11,017,566	\$ 11,045,189	\$ 11,354,877	\$ 11,503,032
Licenses and permits	502,041	498,459	482,142	528,411
Federal grants	187,707	40,078	635,238	226,141
State-shared revenues and grants	3,790,385	4,576,299	4,302,649	4,277,137
Charges for services	525,537	374,365	321,607	369,032
Fines and forfeitures	81,026	86,746	115,541	102,866
Interest and rent	575,229	772,805	831,395	971,013
Special assessment	106,409	40,083	111,080	221,444
Other	736,252	201,488	292,714	334,923
Total revenue	17,522,152	17,635,512	18,447,243	18,533,999
<b>Expenditures</b>				
Current:				
General government	2,265,970	2,228,858	2,335,224	2,458,253
Public safety	6,157,775	6,845,341	7,350,452	7,394,091
Public works	4,907,482	4,046,587	5,085,821	4,484,654
Health and welfare	356,301	859,310	468,836	550,387
Community development	-	-	-	-
Recreation and culture	746,172	390,616	363,344	343,368
Capital outlay	-	849,457	1,167,421	899,816
Debt service	480,168	439,621	125,734	44,186
Other	2,164,076	1,045,471	734,429	954,150
Total expenditures	17,077,944	16,705,261	17,631,261	17,128,905
<b>Excess of Revenue Over (Under) Expenditures</b>	444,208	930,251	815,982	1,405,094
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,346,268	1,593,268	1,540,850	1,613,329
Transfers out	(2,148,992)	(1,528,268)	(1,577,987)	(1,459,288)
Debt issuance	-	-	-	-
Debt defeasance	-	-	-	-
Total other financing sources (uses)	197,276	65,000	(37,137)	154,041
<b>Net Change in Fund Balances</b>	641,484	995,251	778,845	1,559,135
<b>Fund Balances - Beginning of year</b>	4,804,683	5,446,167	6,441,418	7,305,768
<b>Fund Balances - End of year</b>	<b>\$ 5,446,167</b>	<b>\$ 6,441,418</b>	<b>\$ 7,220,263</b>	<b>\$ 8,864,903 *</b>
Debt service as a percentage of noncapital expenditures	2.81%	2.77%	0.76%	0.27%

\* An accounting change affected the beginning fund balance

**Financial Trends**  
**Changes in Fund Balances,**  
**Governmental Funds**  
**Last Ten Fiscal Years**

June 30

	2001	2002	2003	2004	2005	2006
\$ 12,218,537	\$ 12,498,929	\$ 13,065,797	\$ 13,563,896	\$ 14,218,480	\$ 14,173,323	
580,729	970,254	607,016	637,729	668,905	666,396	
189,089	342,733	45,485	993,458	715,489	1,161,034	
4,868,206	4,501,469	4,117,679	3,960,290	3,891,595	4,065,658	
969,235	2,113,160	2,318,962	2,233,263	2,344,394	2,530,856	
135,059	117,898	129,293	144,332	140,653	122,831	
1,147,544	1,068,914	882,947	789,697	914,299	1,317,782	
141,902	99,040	147,885	148,979	103,708	99,574	
514,614	438,484	978,171	889,444	773,486	412,848	
20,764,915	22,150,881	22,293,235	23,361,088	23,771,009	24,550,302	
2,893,395	3,048,006	3,220,607	3,296,274	3,253,491	3,601,498	
7,578,789	7,827,038	8,185,968	8,357,193	9,383,688	9,515,712	
7,267,506	6,309,539	6,015,857	6,586,255	7,394,001	9,669,372	
419,701	448,615	439,951	398,816	448,739	396,127	
-	-	-	215,966	-	-	
388,560	1,861,874	1,969,654	2,594,465	2,073,256	2,210,452	
2,069,934	1,852,104	570,646	376,895	908,326	697,254	
63,964	401,150	489,841	493,451	574,818	518,959	
776,065	626,528	581,915	262,590	11,285	14,856	
21,457,914	22,374,854	21,474,439	22,581,905	24,047,604	26,624,230	
(692,999)	(223,973)	818,796	779,183	(276,595)	(2,073,928)	
3,334,349	1,769,212	1,242,542	1,474,820	1,489,795	2,506,811	
(1,716,208)	(1,221,897)	(1,317,468)	(1,617,813)	(1,989,777)	(2,328,226)	
176,865	237,835	-	-	5,915,250	-	
-	-	-	-	(5,298,496)	-	
1,795,006	785,150	(74,926)	(142,993)	116,772	178,585	
1,102,007	561,177	743,870	636,190	(159,823)	(1,895,343)	
8,864,903	8,938,716	9,499,893	10,243,763	10,879,953	10,720,130	
<b>\$ 9,966,910</b>	<b>\$ 9,499,893 *</b>	<b>\$ 10,243,763</b>	<b>\$ 10,879,953</b>	<b>\$ 10,720,130</b>	<b>\$ 8,824,787</b>	
0.33%	1.95%	2.34%	2.22%	2.48%	2.00%	

## **Revenue Capacity**

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These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

# City of Monroe, Michigan

Tax Year	Taxable Value by Property Type						
	Real Property					Personal Property	Total Value
	Residential	Commercial	Industrial	Agricultural and Other	IFT		
1998	\$ 257,597,000	\$ 62,614,830	\$ 315,056,830	\$ 348,000	\$ 16,916,280	\$ 125,322,080	\$ 777,855,020
1999	267,614,270	66,086,600	324,143,260	239,090	18,430,045	132,878,240	809,391,505
2000	279,313,850	68,823,050	324,759,020	491,490	16,885,735	125,922,810	816,195,955
2001	295,303,870	72,200,730	326,205,935	554,690	22,434,675	119,482,790	836,182,690
2002	312,909,660	78,539,070	342,452,570	564,450	19,568,030	120,261,014	874,294,794
2003	327,755,545	81,832,880	363,119,650	471,330	25,625,750	113,617,820	912,422,975
2004	346,190,730	86,951,110	366,377,490	620,010	28,052,840	108,042,460	936,234,640
2005	365,730,580	91,437,540	362,735,560	760,530	26,419,080	107,305,420	954,388,710

Source: City of Monroe Assessor

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**Revenue Capacity**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Eight Fiscal Years**

Tax Rate (Mills)	Estimated Actual Value	Value as a Percentage of Actual
14.2530	\$ 1,706,659,470	45.58
15.5030	1,802,045,660	44.92
15.0030	1,842,824,640	44.29
15.0030	1,894,874,580	44.13
15.0030	2,006,987,448	43.56
15.0030	2,115,321,120	43.13
15.3156	2,163,634,080	43.27
15.3156	2,197,095,020	43.44

# City of Monroe, Michigan

Millage Rates - Direct City Taxes					Overlapping			
Tax Year	General	Debt	Special	Total	County	Community	Intermediate	Library
	Operating		Purpose	Direct Taxes		College	School District	

## Monroe School District

2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173
2001	13.7530	-	1.2500	15.0030	5.4843	2.1980	4.8010	0.8185
2000	13.7530	-	1.2500	15.0030	5.4907	2.2007	4.8010	0.4891
1999	13.2530	-	1.2500	14.5030	5.4993	2.2043	4.8189	0.4899
1998	13.1830	-	1.0700	14.2530	5.4993	2.2043	4.8189	0.4899
1997	13.0500	0.1330	1.0700	14.2530	5.4993	2.2043	3.8189	0.4899

## Jefferson School District

2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173
2001	13.7530	-	1.2500	15.0030	5.4843	2.1980	4.8010	0.8185
2000	13.7530	-	1.2500	15.0030	5.4907	2.2007	4.8010	0.4891
1999	13.2530	-	1.2500	14.5030	5.4993	2.2043	4.8189	0.4899
1998	13.1830	-	1.0700	14.2530	5.4993	2.2043	4.8189	0.4899
1997	13.0500	0.1330	1.0700	14.2530	5.4993	2.2043	3.8189	0.4899

Note: City of Monroe has no Jefferson School District homestead properties located in its boundaries

Source: City of Monroe Assessor

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General	Debt	Special
	Operating		Purpose
2006	14.6645	no limit	2.9329

**Revenue Capacity**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

Rates				Total Tax Rate	
Public Transportation	State Education	School - Homestead	School - Nonhomestead	Homestead	Non- homestead
0.4981	6.0000	0.9985	18.9985	36.1043	54.1043
0.4825	6.0000	0.9985	18.9985	36.1353	54.1353
0.3922	6.0000	0.9985	18.9985	36.0507	54.0507
0.3346	5.0000	0.9941	18.9941	34.4686	52.4686
0.3311	6.0000	0.9974	18.9974	35.6129	53.6129
0.3151	6.0000	0.9989	18.9989	35.6188	53.6188
0.3127	6.0000	0.9998	18.9998	35.2970	53.2970
0.2507	6.0000	1.0000	19.0000	34.7661	52.7661
0.2313	6.0000	1.0000	19.0000	34.4967	52.4967
0.2729	6.0000	1.0000	19.0000	33.5383	51.5383
0.4981	6.0000	-	18.0000	35.1058	53.1058
0.4825	6.0000	-	18.0000	35.1368	53.1368
0.3922	6.0000	-	18.0000	35.0522	53.0522
0.3346	5.0000	-	18.0000	33.4745	51.4745
0.3311	6.0000	-	18.0000	34.6155	52.6155
0.3151	6.0000	0.1770	18.1770	34.7969	52.7969
0.3127	6.0000	0.2100	18.2100	34.5072	52.5072
0.2507	6.0000	0.1900	18.1900	33.9561	51.9561
0.2313	6.0000	0.1600	18.1600	33.6567	51.6567
0.2729	6.0000	0.2000	18.2000	32.7383	50.7383



# City of Monroe, Michigan

## Revenue Capacity Principal Property Taxpayers

	Tax Year 2005			Tax Year 1997		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Detroit Edison	\$ 333,596,280	1	34.95	\$ 308,881,190	1	41.51
Automotive Components Holdings	36,304,130	2	3.80			
Macsteel Monroe, Inc.	35,328,650	3	3.70	24,721,540	3	3.32
Howard Ternes Packing Company	6,878,410	4	0.72	3,538,970	4	9.48
International Transmission Company	6,459,880	5	0.69			
Riverbend Commons, LLC	5,225,690	6	0.55			
National Galvanizing	4,587,770	7	0.48	2,116,510	7	0.28
Benchmark Homes	3,562,340	8	0.37	3,042,600	5	0.41
Monroe Bank & Trust	3,262,470	9	0.34			
Holiday Inn of Monroe	3,039,220	10	0.32	1,881,810	10	0.25
Ford Motor Company				58,776,890	2	7.90
IKO Monroe				4,693,420	7	0.63
La-Z-Boy Chair Company				2,053,970	9	0.28
Delta USA Corp				2,580,740	6	0.35

Source: City of Monroe Assessor

# City of Monroe, Michigan

## Revenue Capacity Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Levy Collected
1996	1997	\$ 10,444,153	\$ 10,249,894	98.14	\$ 172,230	\$ 10,422,124	99.79
1997	1998	10,581,504	10,327,156	97.60	231,231	10,558,387	99.78
1998	1999	10,864,753	10,584,949	97.42	244,176	10,829,125	99.67
1999	2000	11,511,622	11,321,851	98.35	181,803	11,503,654	99.93
2000	2001	11,829,828	11,358,754	96.02	433,967	11,792,721	99.69
2001	2002	12,164,082	11,520,329	94.71	547,754	12,068,083	99.21
2002	2003	12,710,425	12,428,201	97.78	194,358	12,622,559	99.31
2003	2004	13,692,619	13,478,386	98.44	202,600	13,680,986	99.92
2004	2005	14,291,466	14,012,116	98.05	271,435	14,283,551	99.94
2005	2006	14,562,887	14,236,760	97.76	313,538	14,550,298	99.91

## **Debt Capacity**

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These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

# City of Monroe, Michigan

	1997	1998	1999	2000	2001
<b>Governmental Activities</b>					
General obligation bonds	\$ 6,782	\$ 6,551	\$ 6,519	\$ 6,436	\$ 6,312
Installment purchase agreements	-	-	101	185	220
State of Michigan loans	140	73	-	785	942
Sewer bonds	97	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	-	26	26	16
<b>Total</b>	<b>7,019</b>	<b>6,624</b>	<b>6,646</b>	<b>7,432</b>	<b>7,490</b>
<b>Business-type Activities</b>					
General obligation bonds	2,300	2,340	2,175	2,005	1,830
Installment purchase agreements	-	-	-	-	-
Special assessment bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
<b>Total</b>	<b>2,300</b>	<b>2,340</b>	<b>2,175</b>	<b>2,005</b>	<b>1,830</b>
<b>Total debt of the government</b>	<b>\$ 9,319</b>	<b>\$ 8,964</b>	<b>\$ 8,821</b>	<b>\$ 9,437</b>	<b>\$ 9,320</b>
Total residential personal income*	\$ 380,760	\$ 402,717	\$ 419,941	\$ 440,372	\$ 455,821
Ratio of total debt to personal income	2.45%	2.23%	2.10%	2.14%	2.04%
Total population (actual)	22,245	21,922	21,964	22,076	21,873
Total debt per capita	\$ 419	\$ 409	\$ 402	\$ 427	\$ 426

Note: Data in thousands of dollars, except debt per capita

\* Personal income other than census years trended based on State of Michigan percentage change

Source: U.S. Census Bureau - [www.census.gov](http://www.census.gov)

**Debt Capacity  
Ratios of Outstanding Debt  
Last Ten Fiscal Years**

2002	2003	2004	2005	2006
\$ 6,177	\$ 6,036	\$ 5,883	\$ 6,179	\$ 5,930
113	-	-	-	-
1,160	1,140	1,120	999	898
-	-	-	-	-
-	-	-	-	-
6	38	174	657	528
7,456	7,214	7,177	7,835	7,356
1,655	1,480	1,285	900	3,020
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,655	1,480	1,285	900	3,020
<b>\$ 9,111</b>	<b>\$ 8,694</b>	<b>\$ 8,462</b>	<b>\$ 8,735</b>	<b>\$ 10,376</b>
\$ 461,790	\$ 484,339	\$ 493,243	\$ 510,027	\$ 525,328
1.97%	1.79%	1.72%	1.71%	1.98%
21,701	21,726	21,764	21,791	21,791
\$ 420	\$ 400	\$ 389	\$ 401	\$ 476

# City of Monroe, Michigan

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Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax- supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt	Taxable Value
1997	\$ 6,265,000	\$ -	\$ 348,636	\$ 753,688	\$ 6,670,052	\$ 732,363,700
1998	6,265,000	-	159,186	359,365	6,465,179	761,465,368
1999	6,265,000	-	66,432	380,729	6,579,297	781,352,570
2000	6,215,000	-	70,159	1,217,389	7,362,230	814,178,545
2001	6,125,000	-	96,807	1,365,324	7,393,517	818,413,670
2002	6,025,000	-	109,727	1,431,357	7,346,630	836,414,005
2003	5,920,000	-	120,172	1,293,637	7,093,465	876,196,685
2004	5,805,000	-	149,986	1,293,740	6,948,754	912,793,465
2005	6,140,000	-	177,132	1,695,128	7,657,996	936,954,310
2006	5,930,000	-	203,430	1,425,310	7,151,880	954,388,710

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**Debt Capacity**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Debt as a Percentage of Taxable Value	Population	Debt per Capita
0.91	22,245	\$ 300
0.85	21,922	295
0.84	21,964	300
0.90	22,076	333
0.90	21,873	338
0.88	21,701	339
0.81	21,726	326
0.76	21,764	319
0.82	21,791	351
0.75	21,791	328

# City of Monroe, Michigan

## Debt Capacity Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
County of Monroe	\$ 6,127,906	16.61	\$ 101,784,519
Jefferson School District	-	2.50	-
Monroe School District	980,000	51.43	50,401,400
Monroe Intermediate School District	-	17.28	-
Monroe County Community College	-	16.61	-
Total overlapping debt			152,185,919
Direct City debt			9,847,508
Total direct and overlapping debt			<u><u>\$ 162,033,427</u></u>

Source: Michigan Municipal Advisory Council



# City of Monroe, Michigan

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	1997	1998	1999	2000
<b>Calculation of Debt Limit</b>				
State equalized valuation	\$ 776,593,810	\$ 818,835,630	\$ 853,329,735	\$ 901,022,830
10% of taxable value	77,659,381	81,883,563	85,332,974	90,102,283
<b>Calculation of Debt Subject to Limit</b>				
Total debt	9,176,488	8,964,365	8,820,729	9,437,389
Less debt not subject to limit:				
Special assessment bonds				
Revenue bonds	2,283,100	2,340,000	2,175,000	2,005,000
Pollution abatement bonds				
Water Resources Commission or				
Court-ordered bonds -				
Net debt subject to limit	<u>6,893,388</u>	<u>6,624,365</u>	<u>6,645,729</u>	<u>7,432,389</u>
<b>Legal Debt Margin</b>	70,765,993	75,259,198	78,687,245	82,669,894
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	9.74%	8.80%	8.45%	8.99%

Source: City of Monroe Assessor

**Debt Capacity  
Legal Debt Margin  
Last Ten Fiscal Years**

2001	2002	2003	2004	2005	2006
\$ 921,412,320 92,141,232	\$ 947,437,290 94,743,729	\$ 1,003,493,724 100,349,372	\$ 1,057,660,560 105,766,056	\$ 1,081,817,040 108,181,704	\$ 1,098,547,510 109,854,751
8,142,562	7,832,190	8,655,847	8,288,205	8,178,234	9,847,508
1,830,000	1,655,000	1,480,000	1,285,000	900,000	715,000
<u>6,312,562</u>	<u>6,177,190</u>	<u>7,175,847</u>	<u>7,003,205</u>	<u>7,278,234</u>	<u>9,132,508</u>
85,828,670	88,566,539	93,173,525	98,762,851	100,903,470	100,722,243
7.35%	6.97%	7.70%	7.09%	7.21%	9.07%

# City of Monroe, Michigan

## Debt Capacity Pledged-revenue Coverage Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds						Coverage (Percent)
	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service			
				Principal	Interest		
1997	\$ 4,072,053	\$ 3,083,012	\$ 989,041	\$ 150,000	\$ 164,050	315	
1998	3,750,133	3,057,012	693,121	1,683,099	192,577	37	
1999	4,190,765	3,070,715	1,120,050	165,000	59,963	498	
2000	4,250,504	2,764,478	1,486,026	170,000	104,191	542	
2001	4,159,667	3,785,102	374,565	175,000	92,755	140	
2002	3,998,651	3,654,279	344,372	175,000	81,574	134	
2003	4,546,129	4,271,998	274,131	175,000	72,218	111	
2004	4,915,288	3,975,461	939,827	195,000	64,165	363	
2005	5,253,433	4,626,682	626,751	385,000	51,101	144	
2006	5,535,645	5,135,006	400,639	185,000	42,455	176	

## **Demographic and Economic Information**

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

# City of Monroe, Michigan

## Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1997	22,245	\$ 380,760	\$ 17,117	3.6
1998	21,922	402,717	18,370	3.1
1999	21,964	419,941	19,120	3.0
2000	22,076	440,372	19,948	3.4
2001	21,873	455,821	20,839	4.6
2002	21,701	461,790	21,280	5.9
2003	21,726	484,339	22,293	6.8
2004	21,764	493,243	22,663	6.7
2005	21,791	510,027	23,405	6.0
2006	21,791	525,328	24,108	5.9

Source: U.S. Census Bureau and Michigan Department of Labor and Economic Growth

# City of Monroe, Michigan

## Demographic and Economic Information Principal Employers Current Year and Four Years Prior

Taxpayer	2006 Employees	Percentage of Total	2002** Employees	Percentage of Total	2002 Rank
1 Visteon	1,954	2.56	1,954	2.66	1
2 Mercy Memorial Hospital	1,246	1.63	1,246	1.70	2
3 DTE Energy	530	0.70	530	0.72	4
4 County of Monroe	750	0.98	750	1.02	3
5 La-Z-Boy Incorporated	522	0.68	522	0.71	5
6 Monroe Bank & Trust	401	0.53			
7 MACSteel	385	0.50			
8 Sisters, Servants of the Immaculate Heart of Mary	265	0.35			
9 City of Monroe	257	0.34	257	0.35	7
10 Monroe Publishing Company	200	0.26			
11 North Star Steel			500	0.68	6
12 Detroit Stoker			160	0.22	8
13 Pioneer Metal Finishing			130	0.18	9
14 National Galvanizing			100	0.14	10

Source: Monroe County Chamber of Commerce and Michigan Department of Labor and Economic Growth

Note: Percentage is of total employed in Monroe County. Data on City of Monroe employment is not available

\*\* Information for nine years prior was not available

# City of Monroe, Michigan

Function/Program	1997	1998	1999	2000	2001
General government:					
City manager	4.00	4.00	4.00	4.00	5.00
Clerk/Treasurer	5.50	5.00	5.00	5.00	5.00
Assessor	4.00	4.00	4.00	4.00	4.00
City attorney	2.00	2.00	2.00	2.00	2.00
Finance	6.00	6.00	5.00	5.00	5.00
Human Resources	3.50	3.00	3.00	3.00	3.00
Engineering	11.00	11.00	11.00	11.00	11.00
City Hall and Grounds	2.00	2.00	3.00	3.00	3.00
Information Systems	4.00	3.00	3.00	3.00	3.00
Public safety:					
Police					
Officers	46.00	47.00	48.00	46.00	46.00
Civilians	6.00	6.00	9.00	10.00	10.00
Fire & EMS:					
Firefighters and officers	41.00	41.00	41.00	41.00	41.00
Civilians	-	-	-	-	-
Zoning/Ordinance Enforcement	2.00	2.00	2.00	2.00	2.00
Building inspection	7.00	7.00	7.00	7.00	7.00
Public works - Public service					
Operations Division	33.00	33.00	32.00	30.00	28.00
Forestry Division	6.00	6.00	6.00	6.00	6.00
Parks Division	3.00	3.00	3.00	3.00	3.00
Airport	-	-	-	-	-
Community and economic development	5.00	5.00	5.00	5.00	5.00
Parks and recreation	3.00	3.00	3.00	3.00	3.00
Water	28.00	30.00	30.00	30.00	31.00
Wastewater	31.00	31.00	31.00	31.00	31.00
Total	<b>253.00</b>	<b>254.00</b>	<b>257.00</b>	<b>254.00</b>	<b>254.00</b>

**Demographic and Economic Information**  
**Full-time Equivalent Government Employees**  
**Last Ten Fiscal Years**

2002	2003	2004	2005	2006
5.00	5.00	5.00	4.00	4.00
5.00	6.00	7.00	7.00	7.00
4.00	4.00	3.50	3.50	3.60
2.00	2.00	2.00	2.00	2.00
5.00	5.00	5.00	5.00	5.00
3.00	2.00	2.00	1.42	2.00
11.00	11.00	11.00	11.00	10.00
3.00	3.00	2.00	2.50	2.20
3.00	3.00	3.00	3.00	3.00
48.00	46.00	47.00	47.00	47.00
10.00	9.00	7.00	7.00	7.00
41.00	41.00	41.00	41.00	41.00
-	-	0.50	0.50	0.40
3.00	3.00	3.50	4.40	3.75
7.00	7.00	6.00	4.60	5.90
30.00	30.00	26.00	26.00	25.50
5.00	5.00	5.00	5.00	5.50
3.00	3.00	4.00	3.00	3.00
-	-	-	-	1.00
5.00	5.00	4.50	4.50	5.15
3.00	3.00	3.00	3.00	3.00
31.00	32.00	32.00	32.00	33.00
31.00	31.00	31.00	31.00	31.00
<b>258.00</b>	<b>256.00</b>	<b>251.00</b>	<b>248.42</b>	<b>251.00</b>



## **Operating Information**

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

# City of Monroe, Michigan

Function/Program	1997	1998	1999	2000
Police:				
Physical arrests	1,424	1,764	1,629	1,075
Traffic citations and warnings	4,934	8,733	8,497	7,184
Original complaints	18,986	19,775	19,777	26,651
Fire:				
Fire incidents	1,531	1,900	1,742	1,807
EMS incidents	1,167	1,531	1,313	1,438
Inspections	198	98	200	214
Code Enforcement/Administration:				
Building inspections	N/A	N/A	N/A	N/A
Plumbing/Mechanical inspections	N/A	N/A	N/A	N/A
Electrical inspections	N/A	N/A	N/A	N/A
Zoning inspections	N/A	N/A	N/A	N/A
Blight complaints	N/A	N/A	N/A	209
Blight violations	N/A	N/A	N/A	N/A
Rental inspections	N/A	N/A	N/A	N/A
Public works:				
Miles of street resurfaced	1.58	2.18	2.26	0.76
Trees trimmed	2,450	2,600	2,503	2,525
Trees removed	270	275	233	230
Trees planted	250	275	200	205
Street sweeping curb miles	1,900	1,950	1,972	2,010
Storm sewers replaced (miles)	N/A	N/A	N/A	-
Storm sewers installed (miles)	N/A	N/A	N/A	-
Storm sewer miles cleaned	57	57	58	58
City property mowing hours	2,880	2,880	3,020	3,010
Parks and recreation:				
Recreation program attendance	5,541	9,679	9,426	9,555
Park/Shelter reservations	135	135	144	142
Pool admission	4,143	4,143	3,762	3,605
Water:				
Number of customers billed	46,873	48,000	49,336	50,440
New services	160	385	238	255
Average daily consumption (thousands of gallons per day)	5,819	5,714	5,397	5,999
Wastewater - Average daily sewage treatment (thousands of gallons)	12,833	12,882	12,710	12,553

N/A = Not available

**Operating Information**  
**Operating Indicators**  
**Last Ten Fiscal Years**

2001	2002	2003	2004	2005	2006
1,150	1,240	1,277	1,284	1,406	1,352
7,756	6,772	6,975	7,010	8,185	5,947
26,252	26,161	26,946	27,081	25,188	23,280
2,159	2,177	2,668	2,729	2,837	2,845
1,740	1,705	2,292	2,189	2,221	2,229
189	171	177	329	460	453
3,323	3,887	3,827	3,186	3,398	3,251
595	851	899	876	964	924
922	897	856	853	862	893
1,451	1,648	2,038	2,147	1,621	1,609
313	3,078	5,922	4,161	5,674	10,840
N/A	23	195	130	290	474
N/A	N/A	N/A	N/A	N/A	1,017
1.34	1.19	1.69	1.59	1.67	1.98
2,600	2,525	2,600	2,625	2,700	2,626
255	245	255	270	305	150
230	240	245	260	275	150
2,100	2,200	2,200	2,250	2,400	2,200
-	-	-	-	-	-
-	1	-	-	-	-
60	70	68	70	70	70
3,000	3,000	3,000	2,975	2,950	3,000
9,388	8,524	9,060	9,264	9,319	7,972
134	148	175	192	212	310
4,815	4,105	3,510	2,651	2,770	3,112
51,855	54,100	57,332	58,432	58,884	61,173
345	281	383	338	335	302
5,248	5,137	5,416	6,342	6,773	6,998
12,710	13,562	14,247	13,425	11,233	13,999

# City of Monroe, Michigan

Function/Program	1997	1998	1999	2000
Police:				
Stations	1	1	1	1
Patrol units	14	14	14	14
Fire:				
Stations	3	3	3	3
Fire response vehicles	5	5	5	5
Emergency response vehicles	1	1	1	2
Public works:				
Streets (miles):				
Major streets	25.27	27.47	27.49	27.49
Local streets	51.17	51.57	51.57	52.27
Sidewalks	166	168.3	168.3	168.6
Streetlights	1,554	1,554	1,564	1,564
Traffic signals	11	11	9	10
Parks and recreation:				
Acreage	300.7	300.7	300.7	300.7
Developed parks/playgrounds	30	30	30	30
Developed fields (soccer, baseball, etc)	15	15	15	15
Libraries - Branches	2	2	2	2
Water:				
Mains (miles)	162	164	175	184
Fire hydrants	1,458	1,476	1,575	1,656
Storage capacity	6.75	6.75	6.75	6.75
Sewer:				
Miles of sanitary sewers	200	210	220	230
Miles of storm sewers	57.25	58.41	58.91	59.32
Treatment capacity (millions of gallons/day)	32	32	32	32

**Operating Information**  
**Capital Asset Statistics**  
**Last Ten Fiscal Years**

2001	2002	2003	2004	2005	2006
1	1	1	1	1	1
14	15	15	15	15	15
3	3	3	3	3	3
5	5	5	5	5	5
2	2	2	3	3	3
27.49	27.49	27.61	27.6	27.58	27.58
52.27	52.41	52.49	52.49	52.89	53.01
168.85	170.26	170.49	170.74	170.74	170.74
1,564	1,564	1,564	1,564	1,564	1,564
10	10	12	12	12	13
281.78	281.048	281.48	280	280	280
32	31	31	32	32	32
13	13	23	23	21	21
2	2	2	2	2	2
212	218	222	239	250	260
1,908	1,975	1,998	2,080	2,328	2,373
6.75	6.75	6.75	6.56	6.81	6.81
240	250	260	270	290	300
59.72	60.65	60.7	60.71	60.81	60.81
32	32	32	32	32	32

# **City of Monroe, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2006**

# City of Monroe, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Monroe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 22, 2006. Those basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information presented has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 22, 2006

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the City Council  
City of Monroe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Monroe's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and  
Members of the City Council  
City of Monroe, Michigan

This report is intended solely for the information and use of the audit committee, City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 22, 2006

**Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council  
City of Monroe, Michigan

**Compliance**

We have audited the compliance of the City of Monroe with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The major federal program of the City of Monroe is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on the City of Monroe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Monroe's compliance with those requirements.

In our opinion, the City of Monroe complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

To the Honorable Mayor and  
Members of the City Council  
City of Monroe, Michigan

## **Internal Control Over Compliance**

The management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monroe's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 22, 2006

# City of Monroe, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Transportation - Federal Surface Program - Passed through the Michigan Department of Transportation - Surface Transportation Program	20.205	STP 0458015	\$ 445,000	\$ 348,048
U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant:				
2004 Community Development Block Grant	14.218	NA	629,000	303,927
2005 Community Development Block Grant	14.218	NA	602,219	<u>137,520</u>
Total Department of Housing and Urban Development Programs				441,447
National Oceanic and Atmospheric Administration - Federal Coastal Zone Management Program - Passed through the Michigan Department of Environmental Quality - Michigan Coastal Management Program	11.419	05-6217-07	25,000	25,000
U.S. Department of Justice - Passed through the Michigan Office of Drug Control Policy:				
Bulletproof Vest Partnership Grant	16.592	00001986	27,351	6,457
2004 Local Law Enforcement Block Grant	16.592	2004-LBBX-0853	7,814	<u>7,814</u>
Total U.S Department of Justice Programs				<u>14,271</u>
Total federal awards				<u><b>\$ 828,766</b></u>

## City of Monroe, Michigan

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### **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2006**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,161,034
Minus federal revenue that falls under the State's single audit requirement	(376,488)
Minus FEMA revenue reported as federal revenue that was a reimbursement of expenses not grant revenue	(32,298)
Plus federal expenditures not received within 60 days of year end in the governmental funds	<u>76,518</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 828,766</u></u>

# **City of Monroe, Michigan**

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Monroe, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No



# **City of Monroe, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None



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September 22, 2006

To the Honorable Mayor and Members  
of the City Council  
City of Monroe, Michigan  
120 East First Street  
Monroe, Michigan 48161

Dear Mayor and City Council Members:

We recently completed the audit of the financial statements of the City of Monroe, Michigan (the "City") for the year ended June 30, 2006. We thank the Finance Department and all others involved for the effort put forth in preparing for the audit. We enjoyed working with Ed Sell and the entire staff.

In addition to the audit report, we offer the following comments/recommendations for your consideration.

### **Accounting and Reporting**

#### **Bank Reconciliations**

We commend the finance department on the significant improvements in the bank reconciliation process since last year. We offer the following comment to further improve the process. During our testing of bank reconciliations, we noted that the reconciliations were not dated by the preparer or reviewer as proof of timeliness. The reconciliation should be signed and dated by both the preparer and the reviewer.

#### **Delinquent Tax Receivables**

During our review of the City's property taxes, it was noted that the City has delinquent personal property tax receivables dating back to 1994. Many of the older uncollected personal property amounts relate to businesses that have moved or ceased operations. We encourage you to pursue collection efforts where possible or to consider writing off the balances if appropriate.

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September 22, 2006

### **Cancelled Check Procedures**

It was noted during testing of journal entries that the City reissued a check to a customer without first canceling the original check. This original check was subsequently found and deposited by the customer in addition to the second check. As the original check had a “stale” date it was subsequently returned by the bank. As the bank did not honor the check, there was no impact on the City. We recommend establishing procedures in which original checks are properly cancelled/voided prior to issuing another in order to avoid overpayment.

### **Pension Funding**

During the year, the City was required to make a contribution to the pension system for the first time since the fiscal year ended June 30, 2001. Due to changes in actuarial assumptions, changes in the investment market, and enhancements to the pension benefits, the actuarially determined contribution for the fiscal year ending June 30, 2008 will be approximately \$1.5 million in addition to the required contribution to the postretirement health care fund of approximately \$600,000.

### **Legislative Issues**

#### **Current State Financial Picture**

This year’s budget discussion offered hope of an increase in revenue sharing from the last several years. Revenue sharing was identified as a priority by the Legislature during its initial budget discussions in the winter and several proposals existed which included a blanket increase in revenue sharing of several percent and one which tied the increase in revenue sharing to local governments who demonstrated that they had engaged in service sharing, service consolidation, etc. In the end, the summer budget compromises that occurred in July saw no increases in revenue-sharing levels from previous years.

With the appropriation reductions to revenue sharing since 2001 (including approximately \$600 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of communities are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State’s budget, the State is required to reduce the statutory portion of a local unit’s revenue sharing (remember that the constitutional portion cannot be adjusted). Many communities no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

The statutory formula sunsets in 2007, so these remaining statutory revenue-sharing dollars will receive considerable attention next year. Next year, the State will also need to begin dealing with counties again as it relates to statutory revenue sharing. In fiscal year 2004/2005, the State eliminated statutory revenue sharing received by counties (which was approximately \$182 million in fiscal year 2003/2004) and, in return, allowed the counties to advance the levy of their operating millage to July from December. The additional monies from the earlier levy were utilized to create a reserve fund by the counties to replace lost statutory revenue sharing. The expectation is that when the reserve funds at individual counties become depleted, the counties will re-enter the State's statutory revenue-sharing formula. It is very possible that the return of county statutory revenue sharing could be at the expense of city, village, and township statutory revenue sharing.

Considering the unknown impact of the State's budget crisis, the anticipated sunset of the statutory formula, and the elimination of the single business tax (see "Update on Business Tax Reform") on state-shared revenue, we encourage you to develop a contingency plan to deal with possible additional reductions to this revenue item.

State-shared revenue is an important revenue source for the City's General Fund. The table below details state-shared revenue for the City over the past few years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the City compared to the State's fiscal year 2000.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	\$ 1,356,566	\$ 1,423,669	\$ 2,780,235	\$ -
2002	1,140,691	1,438,515	2,579,206	201,029
2003	970,961	1,464,720	2,435,681	344,554
2004	739,443	1,452,551	2,191,994	588,241
2005	681,829	1,483,385	2,165,214	615,021
2006	632,553	1,508,079	2,140,632	639,603
2007*	590,252	1,550,380	2,140,632	639,603

\*Estimated

Over the past several years, the City has been working to maintain a healthy fund balance. Undesignated fund balance for the General Fund is approximately \$2,962,000 for the year ended June 30, 2006. As we have all learned, fund balance is necessary due to uncertainty related to major revenue sources and increasing costs. The City is positioned in the very short term to weather this downturn because of the fund balance that exists, but we encourage management to make every effort to protect and preserve the level of fund balance. This will ensure the City's health for years to come.

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## **Property Taxes**

As you will recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2006	3.3%	2000	1.9%
2005	2.3%	1999	1.6%
2004	2.3%	1998	2.7%
2003	1.5%	1997	2.8%
2002	3.2%	1996	2.8%
2001	3.2%	1995	2.6%

The 2005 inflation factor was used for property taxes levied in the City's year ended June 30, 2006. Property taxes are the City's largest source of General Fund revenue. However, as indicated above, growth in existing property is significantly limited due to Proposal A. This factor should be considered when the City is involved in long-term financial planning.

Also, as you recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth in the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation. The charter operating mills are 15.0000 versus the Headlee limited mills of 14.6645. The City is currently not levying at capacity, but the millage capacity (the difference between actual levy and Headlee maximum) of the City will continue to shrink as the rates get "rolled back" annually.

## **Update on Business Tax Reform (and Its Impact on Local Government)**

On August 9, 2006, the Michigan Legislature approved a voters' legislative "initiative" to repeal the Michigan Single Business Tax ("SBT") for tax years beginning after December 31, 2007, two years earlier than it was originally slated to end. In addition to the repeal, the law requires the Michigan Department of Treasury to prorate the SBT to result in the equivalent of zero tax on business activity occurring after December 31, 2007. Previously, the SBT was scheduled to be repealed for tax years beginning after December 31, 2009.

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Currently, there is no plan for replacement of this \$1.9 billion in lost revenue to the State. If no replacement revenue is identified, statutory revenue sharing may become a target to fill the hole in the State's budget.

### **Task Force Report Issued on Local Government Finance**

In 2005, the governor commissioned a task force to further study Michigan's Municipal Finance Model. The Commission has completed their work and has released their report in May 2006. Findings of the report include:

- Revenue for local governments is flat, or declining due to reductions in state revenue sharing and the interaction of the Headlee Amendment and Proposal A. Mature urban centers have been impacted the hardest.
- While revenues have been restricted, many expenditures are increasing beyond the control of local government. The expenditures include, but are not limited to health care, pension liabilities, and public safety costs.
- The current finance system, based on obsolete revenue foundations, is not resilient or flexible enough to withstand out-migration of taxpayers, whether due to economic downturn or availability of developable land.
- Legacy costs of postemployment benefits to retired workers threaten to overtake the majority of available new revenue for local units.
- Deferring maintenance on critical infrastructure such as roads, sewers, water mains, and buildings to meet ongoing increases in operating expenditures has left many local governments with crumbling infrastructure and growing future cost liabilities.

The full report can be accessed at: [www.migfoa.org](http://www.migfoa.org).

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## **Transportation Matters**

Cities and villages can exercise more flexibility when transferring major street funds to local street funds thanks to Senate Bill 1182, sponsored by Sen. Jud Gilbert (R-Algonac) and signed into law by Governor Granholm. This legislation is an important victory and a strong step toward improving quality of life for local communities and citizens statewide.

Public Act 338 of 2006, which gives cities and villages more control over how they spend local transportation funding, allows:

- ❖ Transferring up to 50 percent of major street funds to local street funds with no local match
- ❖ Transferring 100 percent of funds if the community has an approved Asset Management Program
- ❖ It also establishes a pilot program for communities to combine local street funds and major street funds

The MML will be assisting MDOT in setting up the pilot program - a new flexibility tool that may significantly help local communities manage their transportation systems. The MML would also like to recognize Rep. Pam Byrnes (D-Chelsea) for getting this discussion off the ground with the introduction and passage of her House bill.

## **Telecommunications Act Changes**

The State of Michigan has joined a number of other states considering statewide cable TV franchising. There is a bill (HB 6456) that would create a state video service authorization system that would replace the current system of local franchising of cable TV providers, and also would apply to new providers who would provide service through phone lines. Providers would have to provide customers with local stations and "public access" stations, as is currently required for cable systems. Providers would have to pay a fee of up to 5 percent of gross revenues that would be given to local governments in lieu of the current local cable franchise fees. The legislature has decided to wait until after the November elections to continue discussions regarding this bill. For the year ended June 30, 2006, the City received approximately \$224,000 from cable franchise fees. We encourage the City to monitor these developments closely given the impact that a reduction in cable franchise fees could have on the City's budget.

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### **Taxing Municipal Recreation Operations**

As mentioned in the prior year, during the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appeared to be municipal golf course operations, but other recreation operations (such as ice arenas) could become part of the scope. It appears that no legislation is imminent on this matter; however, it may continue to be an issue in the future.

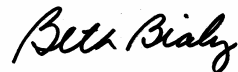
### **Postemployment Benefits**

As mentioned in prior years, two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB No. 43 and No. 45 address the accounting and disclosures related to postemployment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to health care promises to retirees, much in the same way that pensions are handled. It is our understanding that the City has had an actuarial valuation performed for this liability. Starting in fiscal year 2007-2008, the City will be required to have a valuation performed biennially to measure its retiree health care liability. The valuation will compute an "annual required contribution", which is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less. Currently, the City has over \$7,600,000 set aside in the Retiree Health Care Fund to help offset this liability. Again, we commend the City for having the foresight to begin pre-funding this liability.

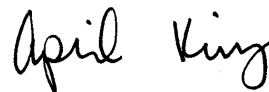
We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by the City staff during the audit. We appreciate the opportunity to present these recommendations for your consideration and will be pleased to discuss them further at your convenience.

Yours truly,

**Plante & Moran, PLLC**



Beth A. Bialy



April King